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**Today's
Special Report**
AVIATION
Page 9

No. 34,924

U.S. Reported Near Nuclear Accord With North Korea

Negotiators Consulting Capitals on Semantics Of Shaking Reactors

Compiled by Our Staff From Dispatches

KUALA LUMPUR — American and North Korean negotiators discussed an emerging nuclear agreement on Sunday, and officials said that working out the deal's final details could come down in the end to semantics.

Senior U.S. and North Korean delegates met for about an hour Sunday, but it remained unclear how much work remained to be done. A spokesman for the South Korean Embassy here confirmed that the unscheduled talks took place at the North Korean Embassy. Neither side issued a statement about the meeting.

The latest session came a day after both sides said they had reached tentative agreement on implementing an accord aimed at dismantling North Korea's nuclear program, suspected of weapons development.

Both sides had said they would need to consult with their capitals on the understandings reached so far. They were believed to be working out the details of the nuclear deal.

The U.S. negotiator, Robert L. Gallucci, said in Seoul Saturday that "the devil is in the details," reflecting the difficulty in eliminating ambiguities that North Korea might use to reopen negotiations later and seek fresh concessions.

The South Korean news agency Yonhap, quoting a senior government official, reported Sunday that Mr. Gallucci and South Korean officials agreed on key wording of the agreement during his visit to seek Seoul's cooperation in the deal.

The key dispute at talks that began here May 20 has been who would provide reactors to replace North Korean facilities capable of churning out weapons-grade plutonium.

The United States has insisted they must come from South Korea, the only country willing to foot most of the \$4 billion cost. North Korea balked, citing safety concerns, but was believed to be acting out of national pride.

Under the agreement signed by Washington and Pyongyang in Geneva last October, North Korea will give up its existing nuclear program, which the United States believes is aimed at developing weapons, in exchange for the modern light-water reactors that produce less of the type of plutonium that can be used to make nuclear weapons.

Semantics have already played a big part in the deal, with North Korea insisting the replacement facilities be labeled as designed in the United States instead of South Korea.

The North insists that there is no such thing as a South Korean design because it is based on a U.S. model. But South Korea, which has 10 nuclear plants operating and another six under construction, has made enough changes over the years that it now is widely considered to have its own design.

The Korea Peninsula Energy Development Organization, an international consortium led by the United States, South Korea and Japan, has already been set up to oversee the project.

Yonhap reported that Mr. Gallucci and South Korea decided the agreement with the North must call for the organization to select the "nuclear plant model" for the North.

Earlier news reports had said the North and the United States tentatively agreed to let the organization select the "reactor type" and the main contractor.

The Seoul official was quoted as saying the new wording, while appearing to be an insignificant matter, will be less subject to renegotiation because the organization charter stipulates that two 1,000-megawatt "South Korean standard nuclear plants" be provided to the North.

It remained unclear whether North Korea would accept the new wording, and its negotiators appeared to be waiting for word from their government.

(AP, Reuters, NYT)



Israeli border guards beating a Palestinian demonstrator in Al Ram, outside Jerusalem, on Sunday. Three members of the PLO's Fatah faction were arrested.

Christopher Hails Outlook for Peace in Mideast

By Barton Gellman
Washington Post Service

AMMAN, Jordan — Secretary of State Warren M. Christopher wound up a four-day Middle East tour on Sunday with what he called the highest hopes he has had to date for a comprehensive regional peace.

"Serious problems remain to be solved, and much, much work remains to be done," Mr. Christopher said after he made a courtesy call on King Hussein of Jordan on his way back to Washington.

"But I think that this trip has reinforced my feeling that there is a tremendous op-

portunity to move now toward a goal of a comprehensive peace," he said. "perhaps a better opportunity than at any time during the two and a half years that I have been in office."

Syria is the linchpin of such a peace. American and Israeli officials say they believe if Syria signs a treaty with Israel, its client government in Lebanon, will swiftly follow and that most of the Arab world will also move.

Only "pariah states" like Libya, Iraq and Iran will remain in a state of war.

"We consider peace with Syria more important than all the prior negotiations because it could be the fast negotiations."

Foreign Minister Shimon Peres of Israel told Israeli radio on Sunday.

Mr. Christopher obtained consent from President Hafez Assad of Syria to begin top-level secret talks with Israel later this month. The American secretary also engineered a thaw of hostility between Egypt and Israel whose relations had been chilled in recent days.

Mr. Christopher, who met Saturday with Mr. Assad for three hours, said afterward that President Bill Clinton thought Middle East peace "is of such importance" that he would be prepared to travel to the region again to further it. But aides said

that there were no such plans and that the subject had not come up with Mr. Assad.

The American-mediated security talks in Washington, to be held at the level of army chief of staff, will concentrate on security arrangements on and near the Golan Heights, the strategic plateau captured by Israel from Syria in the 1967 Middle East War.

Mr. Christopher made clear that the return of the Golan is its price for peace, a price the present Israeli government now hints it is willing to pay.

But while diplomats speak of trading land for peace, military planners think in

See MIDEAST, Page 6

UN Increasingly Powerless in Bosnia, Officers Say

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — A day after France and Britain warned again that they are prepared to use force to repel attacks against peacekeepers in Bosnia, UN officers acknowledged here Sunday that they were becoming increasingly powerless to fulfill their mission.

The UN officials said they were tolerating Bosnian Serbian restrictions on their activities to avoid escalating tensions as the European Union's new envoy seeks to revive peace efforts.

With the Serbs holding more than 140 peacekeepers hostage, UN officials in Sarajevo said they were under orders to accept Serbian conditions on aid deliveries and avoid confronting Serbian forces over violations of Security Council resolutions, including a ban on heavy weapons around Sarajevo.

On Saturday, President Jacques Chirac of France and Prime Minister John Major of Britain said a new rapid-reaction force would be ordered to respond robustly to any more attacks on UN peacekeepers.

But the peacekeepers are holding back as a new chief negotiator begins a new mission to try to bring an end to the wars in the former Yugoslavia.

Former Prime Minister Carl Bildt of Sweden has been appointed by European Union leaders as their chief negotiator, and he said Saturday that he was prepared to seek a pragmatic compromise among Bosnia's warring parties as soon as the Serbs release the UN peacekeepers.

An international peace plan would leave the Serbs with about half of Bosnia, instead of the 70 percent they now hold.

Because of Bosnian Serbian demands, the UN mission plans to run relief convoys to Sarajevo without escort by UN soldiers, according to Lieutenant Colonel Gary

Coward, spokesman for the UN Protection Force.

UN troops still have an important role in deterring attacks on besieged enclaves and preventing a wider war, Colonel Coward said, but he added that "our effect is limited."

Top UN officials told the Sarajevo mission to operate on the limited terms permitted by the Bosnian Serbs before NATO carried out air strikes on Serbian positions last month. The air strikes prompted the Serbs to take 370 peacekeepers hostage.

"The aim is to return to the status quo

See BOSNIA, Page 6

Milosevic Still Sending Aid

By Stephen Engelberg
and Eric Schmitt
New York Times Service

WASHINGTON — Even as the West courts Serbia's president in hopes of bringing peace to Bosnia and winning the release of the remaining UN hostages, his military is secretly continuing to deliver a range of assistance to the Bosnian Serbs.

American and European officials say the Yugoslav Army provided the parts and the technicians for maintaining the Bosnian Serb air defenses that recently shot down an F-16 on a NATO monitoring mission.

The Serbian leader, Slobodan Milosevic, vowed last year to seal the border between Serbia and Bosnia and won an easing of UN sanctions as a result. Mr. Milosevic insists that since then only nonlethal aid

has been sent to the Bosnian Serbs, an assertion generally accepted by a team of UN monitors.

But American and European officials with access to intelligence reports said the federal Yugoslav Army was paying the salaries of many Bosnian Serbian officers and was also supplying their forces with fuel, spare parts, training and ammunition.

Several American analysts said the Yugoslav Army provided the parts and the technicians for maintaining the Bosnian Serb air defenses that recently shot down an F-16 on a NATO monitoring mission.

The system remains electronically

See EMBARGO, Page 6

With Taiwan's Success, an Identity Crisis

By Keith B. Richburg
Washington Post Service

TAIPEI — Long considered an indisputable part of China, Taiwan now finds that notion as outdated as the old revolutionaries who espouse it.

For a new, affluent generation of "mainlanders" — descendants of the Chinese who fled China in 1949 — Taiwan is home, and China is as alien as Mars. At the same time, the island's huge majority of native Taiwanese, with even more tenuous links to China, is finding new expression

through an emerging Taiwanese nationalism.

"When we go back to China, it's another culture," said Chen Ming-tong, 40, a political scientist at National Taiwan University, whose family immigrated here from the mainland about 200 years ago. "That culture is not my culture."

Mr. Chen travels frequently to China on academic exchanges and for research. But he said: "It's not my mother country. I'm a foreigner in that country."

The visit to the United States last week of President Lee Teng-hui has been interpreted in Taiwan as a major step in the island's transformation into a rich democracy that must be accepted on its own terms. Yet most Taiwanese are unsure whether they are a country or simply an "entity," a province of China or a new nation. Most do not want to be united with China right now, according to polls, but they are equally uncertain whether they want to remain totally separate.

Chiang put it: "National identity is a big problem in Taiwan."

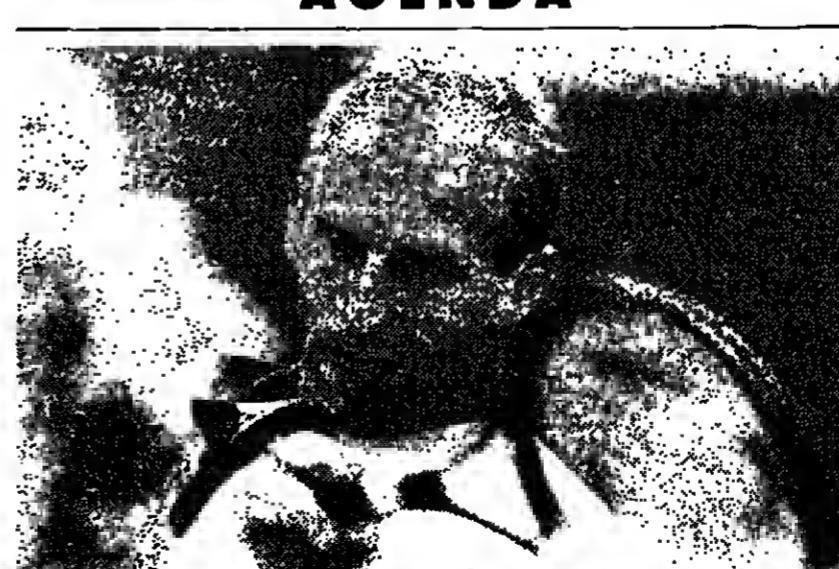
For 40 years under the dictatorial Kuomintang, or Nationalist Party, regime of Generalissimo Chiang Kai-shek and his successors, the accepted canon was that Taiwan was part of China, that the government on Taiwan was the legitimate government of all China and that the Chinese mainland would one day be "liberated" from the Communists — by force if necessary — and the two would be "reunified" under Kuomintang rule.

But that started to change with the lifting of martial law and the emergence of a Taiwanese democracy five years ago. The Kuomintang jettisoned the notion that Taiwan could "retake" China. Advocates of Taiwanese independence — once jailed as traitors — were allowed to form their own political parties and openly advocate their views.

At the same time, Taiwan has emerged on the world scene as an economic powerhouse. Its annual per-capita income is off-

See TAIWAN, Page 6

AGENDA



WINNING STROKES — Thomas Muster, on his way to the French Open championship Sunday, returning a forehand to Michael Chang. Page 21.

A Split Verdict In French Vote

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Zaire Nears Collapse

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Crash of a Top-Secret Jet

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Page 4

Lotus Agrees To IBM Offer Of \$3.5 Billion

Compiled by Our Staff From Dispatches

CAMBRIDGE, Massachusetts — Lotus Development Corp. agreed Sunday to be bought by International Business Machines Corp. for \$64 a share, or about \$3.5 billion in cash, executives at the companies said.

"We are really delighted at IBM to be able to reach this agreement so quickly," said Louis Gerstner, IBM's chief executive. IBM, the world's largest computer company, made a hostile bid last Monday to buy Lotus for \$60 a share.

Jim P. Manzi, Lotus' chief executive, had been buddied with his company's financial advisers all week, said sources close to the deal, meeting also with Mr. Gerstner several times in an effort to reach a friendly agreement. Mr. Manzi said he would remain with Lotus after the acquisition, becoming an IBM senior vice president.

The acquisition, which Mr. Gerstner said would be completed as quickly as possible, would be the largest in the history of the software industry.

On the Friday before IBM launched its hostile bid, Lotus shares closed at \$32. But they soared during the week as traders expected IBM to sweeten its offer, closing last Friday at \$62.875.

Lotus developed the Lotus 1-2-3 spreadsheet in the early days of the PC industry. While that flagship product has been hurt by tough competition from Microsoft Corp., the company's Lotus Notes soft-

See IBM, Page 6

EUROPE

Q & A: Dini Predicts Single EU Currency After 1999

President Jacques Chirac of France held a working dinner Friday night in Paris for the other heads of European Union governments. Among the subjects discussed were the Union's summit meeting in Cannes later this month and the Group of Seven summit meeting that begins Thursday in Halifax, Nova Scotia. Prime Minister Lamberto Dini of Italy, who will take part in both summits, discussed these issues on Saturday with Alan Friedman of the International Herald Tribune.

Q. With Mr. Chirac, Prime Minister John Major of Britain, Chancellor Helmut Kohl of Germany and your other colleagues, you planned for the EU summit in Cannes. Jacques Santer, the European Commission president, wants to discuss the name of the new single currency at Cannes. Will that be on the agenda and do you like the German idea of calling it the franken?

A. I do expect that the name of the European currency will be discussed at Cannes. Clearly, this is something that sooner or later will be discussed, but I believe many remain attached to the term Ecu.

Q. Some of your colleagues are pre-

diciting monetary union not in 1997 but by 1999. What is your forecast?

A. All of us are determined that the Maastricht convergence criteria remain firm, so nobody thinks 1997 is realistic. I think the single currency is a matter for the year 2000 and not before. And it cannot be expected that all member countries will be ready when the first group may wish to move ahead. So a two-stage Europe is likely, and we will have a problem of monetary cohabitation among EU members because those who are not part of the single currency could be subject to distortions.

Q. Will Italy be part of the first stage of monetary union?

A. Italy will meet some of the Maastricht criteria by that time, and I refer to the budget deficit and inflation criteria. But it will be hard to meet the debt-to-GDP criterion, so an overall evaluation will have to be made in 1998. As for the exchange rate mechanism, I hope the lira will rejoin it soon, perhaps by the end of this year.

Q. Another subject at Mr. Chirac's dinner was French criticism of the competitive advantages enjoyed by Italy, Britain or Spain thanks to currency devaluations. What is your view?

A. There were some statements

made that rather irritated me. France, Belgium and the Netherlands raised the subject. I told them we understand, but I asked if they are certain that the devaluations of the lira or sterling had really created distortions, had really caused balance of payments problems for our European partners.

Instead of rhetoric, I suggested the EU Commission should produce an analysis first. And it seems to me that this analysis will find first that these were voluntary depreciations, where the countries with devalued currencies also suffered because of higher inflation, and second that the currency fluctuations have not really created balance of payments problems. They might have disturbed trade in some sectors like autos, but not much beyond that. After all, we live in a multilateral trading system.

Q. Speaking of multilateral trading, Sir Leon Brittan, the EU trade commissioner, has been scathing in his criticism of the U.S. threat of trade sanctions against Japan. What do you think of the U.S.-Japan trade conflict?

A. The Japanese market remains difficult for anyone to crack, and it is not so much trade restrictions as trade practices like their distribution system that makes it so difficult for foreigners

to penetrate. So there is a problem, no question there is a problem, and it is reflected by Japan's consistently high trade surplus.

Q. Let us turn to the next summit meeting, the one that begins this Thursday in Halifax. A draft final communiqué has already been leaked to the press. And there is much criticism that the G-7 is plodding or even ineffectual. What is your view of the summit process?

A. Some of the beans have been spilled, but not all. And these summits of G-7 have perhaps gathered an importance that goes beyond their modest activities. They are not anymore the summits we had in the 1980s, when there were major foreign exchange adjustments like the Louvre accord.

These are now economic summits where we coordinate and discuss the world economy. People should have lower expectations. In Europe, there are some who still want a new Louvre-style accord. But that is unrealistic.

Q. Well, among those who have said publicly they want another Louvre accord is Jacques Santer. Why is it unrealistic?

A. Because few countries are prepared to subordinate all other domestic economic policy objectives to ex-

change rate stability. This is the key reason.

Q. For Halifax, everyone is focusing on a new package of measures to strengthen the IMF and improve its monitoring in the wake of Mexico's crisis. What are some of the other issues coming up at the summit?

A. There will be more discussion of unemployment, of United Nations reform, of nuclear safety at Chernobyl. On unemployment we will review the situation with the aim of determining if any other specific actions can be taken at the world level. There has been some talk of another unemployment conference like the one we had in Detroit last year, perhaps next year in France.

Q. And the war in Bosnia? Both the EU and G-7 summit must address this issue. Former Swedish prime minister Carl Bildt is meant to replace Lord Owen as a negotiator, but is there any realistic chance of stopping the killing in Bosnia?

A. This is nearly intractable problem, but it is indispensable to keep up efforts, any efforts to bring about first of all a cease-fire, and of course to stop the killing. We must redouble efforts in this area.

BRIEFLY EUROPE

Foreign Ministers Set Discussion Of Bids for Aid in Luxembourg

BRUSSELS — Competing demands for European Union money in Eastern Europe, the Mediterranean and the Third World top the agenda on Monday when EU foreign ministers meet in Luxembourg.

The ministers will also discuss Bosnia with a former Swedish prime minister, Carl Bildt, the new mediator appointed by EU leaders on Friday. They are expected to decline again to clear a trade pact with Russia because of Moscow's actions in Chechnya.

The 15-nation bloc will sign association agreements with Latvia, Estonia and Lithuania, holding out the prospect of EU membership to the Baltic states.

With a meeting of EU leaders only two weeks away — in Cannes, June 26 and 27 — the ministers will try to resolve a dispute about which of a plethora of worthy regions should get what from EU coffers. At issue is how to meet the financial pressures of bringing Eastern Europe into the Union, shoring up the EU's southern flank in unstable Mediterranean countries.

(Reuters)

Solidarity Condemns Communism

GDANSK, Poland — The Solidarity trade union, which brought down Communist rule in 1989, ended a congress on Sunday urging all patriotic forces to join efforts to halt any return of communism.

Solidarity has squared off against ex-Communists in government with a wave of strikes and protests lately.

"In Poland, a reconvening offensive is under way. This is the main reason the country is sinking into moral, economic and socio-political crisis," a resolution Sunday said. "It is impermissible for a candidate of the Communists or their allies to become president of Poland," it added, in a clear reference to a former Communist, Alexander Kwasniewski, front-runner in opinion polls for presidential elections late this year.

(Reuters)

Damage Heavy in Bradford Riots

BRADFORD, England — Youths in this northern city hurled firebombs and bricks at police, looted shops and set a store and cars on fire Saturday in a second night of violence. The rampage, involving some 300 youths, started in a predominantly Indian and Pakistani neighborhood and spread close to the city center.

West Yorkshire police said damage was extensive. Shop windows down one side of a street were smashed, a post office was broken into, a pub was attacked, and seven vehicles on the forecourt of a car dealer were destroyed. Three policemen were injured and several youths were arrested during the disturbances, which lasted into early Sunday.

Calendar

European Union events scheduled for Monday:

LUXEMBOURG: European Foreign Ministers continue debating EU relations with the United States, Japan, Russia, Belarus, Ukraine and the Mediterranean countries. They will also authorize discussions on the negotiation of the Mercosur customs union with southern Latin America.

STRASBOURG: European deputies will ratify two proposals at the opening of the plenary session, the first on television transmission regulations, the second on numerical networks.

BASEL: European Economic and Monetary Union Commissioner Yves-Thibault de Silguy joins a session of the council of the European Monetary Institute.

BRUSSELS: Competition Commissioner Karel van Miert meets Hong Kong Secretary to the Treasury Donald Tsang.

BRUSSELS: Social Affairs Commissioner Padraig Flynn meets World Health Organization Director Hiroshi Nakajima.

BRUSSELS: Agriculture Commissioner Franz Fischler meets Agriculture Minister Philippe Vassier of France, the acting president of the EU's agriculture council.

Sources: Agence Europe, AFP.



Wolfgang Gerhardt embracing wife, Marlies, after winning Free Democrat leadership. (Michael Ulfert/Reuters)

French Left Is Holding Own in City Voting

Reuters

PARIS — The French left clung to many of its urban bastions in the first round of municipal elections Sunday, polling almost the same score nationwide as President Jacques Chirac's conservative coalition.

Five weeks after Mr. Chirac's clear victory over the Socialist Lionel Jospin, there was no sign of a coattail "Chirac effect" that the right had hoped for.

Computer estimates broad-based after the polls closed gave the center-right coalition 43.4 percent to 42.5 for the Socialists and Communists, who were allied in most towns.

The extreme-right National Front polled 7.2 percent, less than half of the 15 percent that its leader, Jean-Marie Le Pen, won in his presidential bid, but up 2.1 percentage points from the last municipal elections, in 1989. It was enough to give the extreme right a chance of winning a few towns and holding the balance in others.

As in many towns where one won an outright majority, the outcome will be determined in a run-off next Sunday, with the National Front likely to stay in the race, splitting the right's vote and helping the left.

Mr. Le Pen's No. 2, Bruno Megret, polled 42 percent in Vitrolles, north of Marseille, virtually assured the National Front of victory there Sunday.

The Socialists held on to two major cities where the right had hoped to make gains — Strasbourg and Nantes.

The Socialist mayor of Strasbourg, Catherine Trautmann, who has made the city a model of modern urban development, was re-elected with an estimated 51 percent in the first round.

And in the western city of Nantes, the conservative health minister, Elisabeth Hubert, failed to oust the Socialist mayor, Jean-Marc Ayrault. Forcasts gave Mr. Ayrault a clear 60 percent majority.

The Socialists also appeared to have a good chance of capturing the Alpine city of Grenoble. The departing conservative

mayor, Alain Carignon, faces trial on corruption charges and did not run again.

Valéry Giscard d'Estaing, the former French president trying to take the central city of Clermont-Ferrand, narrowly trailed Roger Quillot, the Socialist mayor, by 42 to 40.5 percent.

In Lyon, former Prime Minister Raymond Barre of the center-right managed only a slim lead over the candidates supported by the outgoing conservative mayor, Michel Noir, who is appealing on conviction on corruption charges.

The estimated turnout of 64 percent was lower than that for the municipal vote six years ago and some commentators blamed "voter fatigue" after the presidential race.

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INTERNATIONAL

Rescued Pilot Tells How He Survived 6 Days in Bosnia

By Celestine Bohlen
New York Times Service

AVIANO AIR BASE, Italy — As he lay in the bushes near his parachute, his face in the dirt and his ears covered with camouflage gloves, Captain Scott F. O'Grady thought that a few feet away there were people looking to kill him.

"It wasn't that they were just walking around me," the 24-year-old pilot said Saturday. "It was that they were shooting their rifles, and they weren't just shooting at bunny rabbits, because I never saw any bunny rabbits. I never saw a squirrel. I think they thought they saw something that was me — and were trying to kill me."

At his first news conference since his dramatic rescue Thursday, Captain O'Grady, whose F-16 jet fighter was shot down by a Serbian missile while on NATO patrol over Bosnia on June 2, told how he managed to survive for six days in the forest, hiding by day, sleeping for half an hour at a time, moving around only at night and even then never ranging farther than a mile and a half.

He scrounged for water — even wringing a few drops of rainwater from the wool socks he was wearing — and dug for ants. And he gave nicknames — Leroy and Alfred — to two pestering cows who twice closed in on his hiding place.

Once, at the start of the news conference, Captain O'Grady broke down and cried as he listened to a tape of the radio conversation he had in the early hours of Thursday with his friend Captain Thomas O'Hanford, then flying 30,000 feet over his hiding place.

"Basher-52 reads you loud and clear," said the faint voice, barely audible over the crackling interference. "I'm alive. Help."

Later, Captain Hanford asked Captain O'Grady to name his squadron in Korea. "Juvat, Juvat" came the answer. "Copy that, you're alive. Good to hear your voice," Captain Hanford said.



French peacekeepers examining one of six new mortars Sunday that they are using on Mount Igman, outside Sarajevo.

BOSNIA: UN Increasingly Powerless to Fulfill Its Mission, Officers Say

Continued from Page I

ante in order to provide a platform for the political process and diplomatic activity in trying to find a solution to this conflict," a UN spokesman, Alexander Ivankovic, said.

The UN aid mission has been paralyzed by the hostage-taking and other attacks by the Bosnian Serbs, who have disrupted supplies of food and medicine to besieged Muslim enclaves for more than two months.

As a result of the hostage-taking, France and Britain have taken the lead in forming a rapid reaction force of 10,000 soldiers whose mission will be to protect the UN peacekeepers from further harassment.

The Netherlands has pledged to send up to 200 marines, and Spain is also considering the dispatch of extra troops. The United

States is not sending any soldiers but has promised logistical and intelligence assistance.

President Chirac and Prime Minister Major said Saturday after a two-hour meeting that they had agreed on a joint approach to the crisis.

As the two largest troop contributors to the UN peacekeeping force, France and Britain have emerged as the most influential powers behind the international quest for a settlement.

"The rapid reaction force is to prevent our soldiers from being humiliated," Mr. Chirac said. "They can fight and they may be wounded or even killed, but they cannot be beaten."

Mr. Major said the new force, which will be equipped with attack helicopters, tanks and artillery, will be under orders to respond to any attacks by the Bosnian Serbs.

But Mr. Major said that if the UN mission continued to be harassed, France and Britain would have to withdraw before the winter, inflicting immense suffering on all Bosnians.

Mr. Major praised the French-British military cooperation as an example of how Europe can shore up its common security. He emphasized that the presence of European troops on the ground in Bosnia served strategic as well as humanitarian purposes, noting that they were striving "to contain a conflict which, if it is not contained, has the potential to ignite the whole of the Balkans."

In Bosnia itself, heavy fighting was reported Sunday around the eastern Muslim enclave of Gorazde, in the northwestern Bihać pocket and in the northeast around a Serbian supply route. (Reuters, WP, AP)

EMBARGO: Milosevic Secretly Sending Military Aid to Bosnian Serbs

Continued from Page I

Although there are differences among analysts about precisely how much matériel is flowing from Yugoslavia to the Bosnian Serbs, American experts say that assistance from Belgrade has enabled the Bosnian Serbs to remain an effective fighting force. Even those skeptical of the reports agreed that the supply line to the Bosnian Serbs had been curtailed, but not cut off.

"Despite what Mr. Milosevic would like you to think, they have not severed their ties," a Clinton administration official said of the military deliveries. "The support is there."

That view is not universally embraced by Clinton administration policymakers, who have urged the negotiations with Mr. Milosevic, nor by the government's intelligence analysts. Some say they believe Mr. Milosevic is acquiescing in his military commanders' support of their Bosnian Serb colleagues, rather than actively directing it. Others question the extent of the Yugoslav shipments to the Bosnian Serbs described in what one official termed "anecdotal" reports.

In response to questions, Defense Secretary William J. Perry issued a statement that said although what he called leakage persisted, he knew of no "credible evidence" that the Bosnian Serbs were receiving a broad range of military help from the federal Yugoslav Army.

Since the Bosnian Serbs began fighting three years ago in opposition to the declared independence of Bosnia-Herzegovina, U.S. intelligence agencies have mounted extensive efforts to eavesdrop on communications and compile satellite photographs of troop and equipment movements.

This has produced persistent reports that the Bosnian Serbs have continued to receive help from the old Yugoslav Army, which is based in Belgrade, the capital of both Serbia and federal Yugoslavia. Yugoslavia now consists of Serbia and Montenegro and is dominated by Serbia.

According to American and European officials, the reports say the Bosnian Serbs' trucks, tanks and other heavy equipment are maintained with parts supplied by the Yugoslav Army.

American officials said they had evidence of regular conversations and consultations between the Yugoslav Army's general staff in Belgrade and the officers directing operations in Bosnia. They said Bosnian Serbs wounded in battle were flown by helicopter to Yugoslav military hospitals.

Intelligence reports about Mr. Milosevic's continuing role in the war raise a nettlesome question for European and American leaders. Should the West lift economic sanctions against a government that appears to be sustaining the Bosnian Serbs' war effort, even as it pledges to do the opposite?

Several American and European officials said that having decided not to confront the Bosnian Serbs directly, the West had little choice but to bargain with Mr. Milosevic.

China has been angered by Mr. Lee's unofficial visit to the United States, the first ever by a Taiwan president, accusing Washington of promoting independence for Taiwan's 21 million people and subverting Beijing's sovereignty.

(AP, Reuters, AFP)

Clinton Jousting With Gingrich in Surprise Debate

By Ann Devroy
and Dan Balz
Washington Post Service

WASHINGTON — President Bill Clinton and the House speaker, Newt Gingrich, were to meet in New Hampshire on Sunday in the equivalent of a town hall meeting after a delay in negotiations that began with an offhand invitation by the president that Mr. Gingrich moved quickly to exploit.

The joint appearance, which was to involve brief opening statements by both men and an hour of questions and answers before an audience of senior citizens without a moderator, resembled the candidate debates of 1992. It also fulfilled the Georgia Republican's long-sought goal of being on equal footing with the president and set up a dramatic clash between Republican and Democratic philosophies.

Mr. Gingrich said in Manchester on Saturday that he did not think he or the president should try to score points on one another, but instead should have the opportunity to lay out their differing positions on a range of issues.

"I would hope it is a very friendly, very positive dialogue and the people say afterward that it's nice to see that leaders who belong to different parties and different branches can actually find some way to deal with each other that isn't hostile," he said.

Mr. Clinton had been scheduled to be in New Hampshire Sunday to deliver the commencement address at Dartmouth College and to visit a senior citizens center in Claremont for an hour of question-and-answer with about 200 senior citizens. That was the event that was opened to Mr. Gingrich.

One senior official acknowledged that the event carried little risk for Mr. Gingrich, for whom an appearance on the same platform with the president amounted to a political come-uppance in itself, but more for Mr. Clinton. This town hall forecast is Mr. Clinton's favorite and one at which he usually excels. Being shown up in such a setting "would not be helpful" one outside adviser said.

MIDEAST: High Hopes for Peace

Continued from Page I

General Hikmat Shehab, a senior figure in the Syrian leadership, to represent him at the Washington talks, scheduled to begin on June 27. General Shehab is a member of the country's Sunni Muslim majority. Mr. Assad is from the minority Alawite sect.

General Shehab's counterpart will be Lieutenant General Amoun Shahak, who is in his first months as army chief of staff. The U.S. special coordinator for Middle East policy, Dennis Ross, and Lieutenant General Daniel Christman, assistant to the chairman of the Joint Chiefs of Staff, will sit in on the talks, which are expected to last two to three days.

The Syrian and Israeli ambassadors to Washington, joined by lower-ranking generals, will take up the talks again two weeks later, after what Mr. Christopher called a "pause to review the results."

IBM: \$3.5 Billion Offer Wins Lotus

Continued from Page I

forces against a common foe. But for many, an even more important windfall was the delay — and perhaps cancellation — of an aggressive revamping and cost-cutting effort that Mr. Manzi, under fire from shareholders, was beginning.

"A lot of people at Lotus in middle management are looking at this as a stay of execution," said Terence Quinn, an analyst with the brokerage firm Sez Inc.

(Bloomberg, Reuters, NYT)

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ware, for sharing data and working in groups, has become popular and is seen as a strategic product to help IBM regain a competitive edge in the PC industry, as well as in the growing area of networked computers.

While Mr. Manzi was reported to be livid at IBM's initial hostile bid, many of his employees were delighted, company insiders said, as many stood to get a lot richer from the surge in Lotus' stock price and recognized the benefits of joining a defense.

On Oct. 3 of last year, two Western mediators — Lord Owen of the European Union and Thorvald Soltenberg of the United Nations — announced that the border had been closed.

At the same time, however, Lord Owen declared that oil tankers and trucks going across the border with Bosnia and allow an international mission to monitor his compliance.

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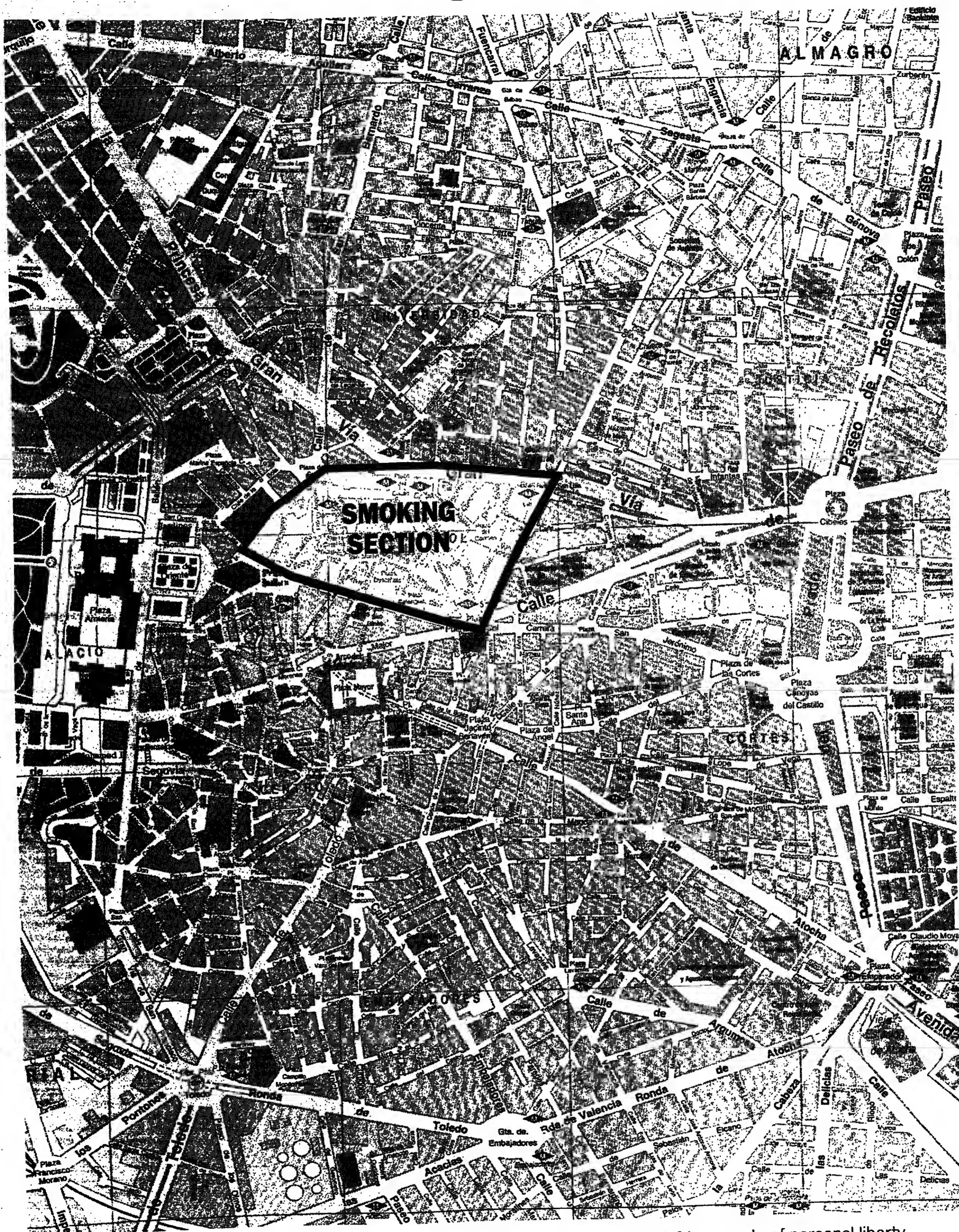
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INTERNATIONAL Herald Tribune

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A Lesson From South Africa

South Africa, which once led the world in executions, has abolished the death penalty by unanimous vote of its new Constitutional Court.

The courageous decision leaves the United States in a dwindling company of democratic countries with the dubious distinction of executing their citizens.

This first important decision by South Africa's highest court is distinguished for its legal reasoning and fidelity to the country's democratic aspirations. The 11 judges — racially diverse and reflecting the population's Afrikaner, British and black heritage — captured the character of a country that has shed its legacy of racial division and authoritarianism. They concluded that South Africa's 1993 constitution places high value on the human rights of life and dignity that were so trashed during generations of apartheid.

The decision was remarkable not only for advancing a human right, but for validating the rule of law. The framers of the constitution purposefully left it to the court to interpret South Africa's version of "cruel and unusual punishments." The judges exercised this responsibility.

In making clear that the judiciary would indeed determine what the con-

sstitution means and strike down unconstitutional laws if necessary, the decision resembled the American landmark ruling in *Marbury v. Madison*, delivered in 1803 by Chief Justice John Marshall.

South Africa's interim constitution is scheduled for replacement within two years, but its distinctive principles are expected to survive.

Unlike American constitutional jurisprudence, South Africa's basic charter puts a heavy burden on government to justify denial of the right to life and dignity. While a judge in the United States might ask whether executions deter murder, and then uphold the death penalty if it does, South Africa asks whether the state can prove clearly and convincingly that a death sentence is a significantly greater deterrent than a life sentence.

South Africa's highest court, while recognizing high crime rates, showed judicial wisdom in deflating claims that executions deter crime or protect citizens.

The opinion of the court's president, Arthur Chaskalson, and 10 concurring opinions owe much to the writings of American liberal justices, but they also have much to teach the United States.

—THE NEW YORK TIMES.

The Indochina Refugees

The argument over how to treat the last Indochina "boat people" is not between those who care and those who do not. It is a clash over means among people who are trying to do the right thing by the 43,000 Vietnamese and the 7,000 Laotians who are still in foreign camps but whom the United States has not qualified to come to America as refugees.

The contest is not strictly partisan. One House Republican, Christopher Smith of New Jersey, would suspend the international effort known as the Comprehensive Plan of Action, or CPA, which has seen to the voluntary repatriation of 72,000 Vietnamese and 25,000 Laotians since 1989. He would rescreen the camp population to determine who might deserve foreign resettlement as political refugees rather than repatriation as economic migrants.

A second House Republican, Doug Bereuter of Nebraska, supports the administration position: Empty the camps by CPA rules. Mr. Smith prevailed in a House vote that split both parties, and the refugee and Vietnamese-American groups too.

Mr. Smith is rightly eager to ensure that no one who fled what are still, after all, Communist regimes will be thrown back to be persecuted. But he gives too little credit to the tested CPA screening process, which has resettled 80,000 detainees, including 30,000 in the United States. In Vietnam and Laos, the UN High Commissioner for Refugees, foreign embassies

were considering changes that led many in the camps to believe they can come to America as refugees. The resulting new resistance to repatriation contributed to the recent camp explosions.

But these people are pursuing a vain hope. Their better chance of coming to America lies in returning to Vietnam and applying to emigrate from there. The Smith bill blocks that route. Mr. Smith would admit some of them directly. That would leave the rest in limbo, and would break the international partnership by which the United States has been meeting its obligations to these refugees.

—THE WASHINGTON POST.

Simpson: Law and Spectacle

Nicole Brown Simpson and her friend Ronald Goldman were murdered one year ago Monday. Time may fly for the obsessed watchers of tabloid television, but it has crawled for more serious citizens. Beyond question the trial of O.J. Simpson has already consumed enormous chunks of attention, and after 20 weeks, it may be only half over.

After all this travail, the trial is in danger of collapsing into a misrial. Although 10 jurors have been dismissed and only two alternates remain, Judge Lance Ito continues to grind out dismissals of sitting jurors for what he describes as "good cause" without saying exactly what that means.

Prompted by the impatient surviving jurors, he tries but fails to pick up the pace, frittering over time-consuming motions and straining jury endurance.

The famous defendant has become less familiar over time. No longer a broken-field runner or television personality, he maintains his right to silence.

His lawyers wind down his swivel chair in the mornings to make him sit lower and try to make jurors forget, despite prosecution reminders, that he is a muscular 6 feet 2 inches and 210 pounds (1.89 meter and 95 kilograms).

Platoons of lawyers, with special teams to rivel pro football, divide the work and run the plays for both sides.

More than usual they are hired guns, some of them ready for rematches in Chicago or Cleveland if needed for trials there. Though seasoned, they engage unprofessionally in gratuitous quarrels long after warnings from the judge.

Meantime, the ever-fallible Los Angeles police and coroner look sloppier and sloppier when it comes to the handling of evidence and the investigative techniques that were held up as national

—Los Angeles Times.

Other Comment

The Enemy in the Balkans

In the hope of bringing the several-sided Balkans war to a negotiated end, the Western powers have maintained as nearly as possible a neutral relationship to all the warring parties. Lives may be saved, however, if the allies can bring themselves to acknowledge the obvious. The Bosnian Serbs, having declared that the United Nations is their enemy, must be treated as the enemy they claim to be. As for the Serbian president, Slobodan Milosevic, he should be treated as the enemy's supplier rather than as a statesman and an ally in the making.

—Los Angeles Times.

Japanese Trade Barriers: Something Has to Be Done

By Lawrence Chimereine
and James Fallows

WASHINGTON — While European and Asian governments have complained about the Clinton administration's regrettable but justified proposal to place tariffs of 100 percent on 13 Japanese-made cars, most agree that Japanese trade barriers threaten the world trading system.

Debate in America on the issue has been more primitive.

Many free-market economists, some pundits and lobbyists for the Japanese and for some European interests question whether there is even a problem to be solved. Most have at least spared us the old argument that driving down the value of the dollar will eliminate trade imbalances.

The United States should raise its savings rate to limit reliance on foreign capital and to encourage productive investment — the key to vigorous long-term growth. But even if it does, America is likely to have a trade problem with Japan unless Japan changes.

South Korea and Singapore, whose savings rates are even higher than Japan's, also have large trade deficits with Japan.

Another faulty assertion in the debate over imposing a punitive tariff on Japan is that the United States is only hurting itself. Some claim that the United States should keep its markets open regardless of what anyone else does because any other course would hurt American consumers.

They ask, Why should we Americans punish ourselves by paying more for a Japanese luxury car? And they say, if the Japanese or other Asians want to penalize their own people by running a closed economy, that's their problem. We'll enjoy the benefit of bargain-priced goods.

But Americans need jobs and income to buy even bargain-priced goods. Countries that combine closed markets with aggressive exporting to the United States effectively cut the number of good American jobs and thus consumer income. Closed foreign markets also inhibit American producers from investing, supporting research and development and creating new jobs.

A third argument is that American car

companies brought their problems on themselves by being lazy and greedy and not making cars suitable for Japan's left-side driving. This is the oldest red herring of all. U.S. auto producers make millions of right-hand-drive models for other left-side markets like Britain's.

The real issue is the cartel-like structure that links Japanese parts makers, auto companies and dealers in networks that are hard for outsiders to penetrate, no matter how attractive their products.

In the auto parts business, there is no question of "wrong side" spark plugs.

In raising this warning, the Europeans and Japanese are being hypocritical — and they know it. European trade with Japan has long been managed in a draconian way. Ever wonder why there are virtually no Japanese cars in France or Italy?

It isn't because the Japanese are not trying hard enough or have the wrong steering wheels. It is because Europeans sharply limit the number of Japanese cars they will let in each year.

The Japanese know it because their own diplomats and foreign aid specialists advise the Thais, Russians, Indonesians and any one else who will listen that careful controls on trade and capital are the best way to preserve an industrial base. America's economy has its own mass of trade subsidies and subsidies. But its markets are the most open of all the big industrialized countries. Japan's are the least open.

Ever freer trade over the last four decades has helped much of the world prosper. If there is a threat to the continued progress of this movement, it comes from those who pretend that problems with free trade — especially those created by the chronic U.S.-Japanese trade imbalance — do not exist.

The administration is at least trying to deal with this problem, which, if undressed, will destroy American support for free trade in general.

If those who are most concerned about saving the world trade system don't like the Clinton solution, let them come up with a better approach.

*Mr. Chimereine is chief economist of the Economic Strategy Institute, a research organization. Mr. Fallows, Washington editor of *The Atlantic Monthly*, is author of "Looking at the Sun," about East Asian capitalism. They contributed this comment to *The New York Times*.*

Survival Guide to the Mexico Schemes We'll Hear in Halifax

By Thomas L. Friedman

NEW YORK — One of the hottest topics in finance these days is how to prevent another "Mexico" from destabilizing the global financial system. Finance ministers will tell you the subject has been dominating their international meetings; you will hear a lot of their proposed solutions at this week's Group of Seven summit in Halifax, Nova Scotia. **WARNING:** There is more nonsense than common sense in these proposals. Since some of them could cost you money, I offer this survival guide to the I-can-prevent-the-next-Mexico schemes.

1. **Bad Ideas That Sound Good.** The worst of these is the proposal to establish a \$50 billion standby rescue fund — administered by the International Monetary Fund — that would be ready as a life preserver to be tossed to any country dragged under the waves by global markets running amok.

Don't get me wrong. I am for the Mexico bailout. But I want it to be hard. Dangling a \$50 billion fund out there only

invites buccaneering governments to be reckless.

2. **Good Ideas That Are Not as Good as They Sound.** The best of this lot is the decision by the IMF to intensify its surveillance of financially shaky nations. The IMF is to do only a once-a-year checkup on its client countries.

Eventually the pound was broken. But you can bet that if there had been a \$50 billion rescue fund available in 1992, Mr. Major would have tapped it. Just as surely, that \$50 billion would be in Mr. Soros's pocket now. The more money that government leaders have to defend faulty economics and their own egos, the richer Mr. Soros becomes by exposing their foolishness.

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3. **Small Ideas That Could Make a Big Difference.**

a) **Copy Chile.** Chile demands that foreigners who want to buy Chilean stocks hold them for at least a year. That way if a country is practicing sound economics it won't be punished when the next Mexico crashes and jittery investors scream to their brokers,

"Get me out of all emerging markets."

b) **Fatten your seat belts.** Put your tray tables and seat backs in a fixed and upright position and enjoy the ride. Because time is simply too much money; having around the world too quickly, with too few controls, and too many governments ready to do anything to get a slice of it, to prevent another Mexico somewhere over the horizon.

behavior by your country. (See encyclopedia entry for Mexico.)

c) **America's Next Global Economic Crusade.** Should be in more developing countries — the toughest in the world for financial disclosure, conflict of interest and insider trading.

Many of the new stock markets in Asia and Latin America are still rigged casinos, where investors are just begging for trouble. (See encyclopedia entry for Barings Bank.)

4. **Fatten your seat belts.** Put your tray tables and seat backs in a fixed and upright position and enjoy the ride. Because time is simply too much money; having around the world too quickly, with too few controls, and too many governments ready to do anything to get a slice of it, to prevent another Mexico somewhere over the horizon.

The New York Times.

A Perilous Road in Bosnia, but No Other Path Leads to Peace

By Stephen S. Rosenfeld

WASHINGTON — A week ago, I addressed the uncertain prospect that diplomacy might slow the turn toward further disaster in Bosnia (*IHT*, June 5). The continuing buildup of arms and tensions makes this mission ever more urgent. There is an international effort by the five-nation Contact Group to draw Serbia into delivering the Bosnian Serbs to the group's peace plan. It may become useful to approach the Bosnian Serbs directly, sooner rather than later.

Serbia's clever president, Slobodan Milosevic, is demanding quick relief from economic sanctions for what he depicts as his central role in inducing the Bosnian Serbs to start releasing their

military action. The implication is unavoidable. If outsiders are to head off a full-scale resumption of Yugoslav warfare — it may already be beginning at Sarajevo — then the Serbs must be offered some political inducement.

Is this too distasteful? Justice and vengeance are preferable?

Let us skip past the details of what the Serbs of Serbia, Bosnia and Croatia might get in territory, political privilege and international status. Everything flows from the general attitude to the Serbs.

As Madeleine Albright, the U.S. ambassador to the United Nations, put it: The Bosnian

Serbs are "aggressors" and the (mostly Muslim) Bosnians are "victims." This view is bipartisan. Former Secretary of State James Baker, when asked, "Is this not a war of aggression from Serbia on an existing nation?" replied: "Clearly."

But in real life things are not so clear. The Bosnian Serbs are "aggressors," operators of "rape camps," perpetrators of "genocidal" ethnic murders, cowardly snipers. They deserve condemnation, isolation, demonization and punishment — the works.

But Bosnia's Serbs (and Croats') are also people who were transformed by the disintegration of Yugoslavia. From being part of a major ethnic group in their old country, overnight they became minorities in two new countries.

Mr. Milosevic fanned the ethnic storms. But on the basis of their transformation they have a claim to something from a negotiation.

We have yet to decide whether to treat the Serbs, including the Bosnian Serbs, as morally unworthy murderers or expediently worthy interlocutors. To straddle or to pretend there is no question is to toy with diplomacy.

The Contact Group's plan is a starting point. For the group, the

From Justice to the Service of Cali

By A.M. Rosenthal

offices and loyalties. The switch was even defended as ethical by many lawyers. That makes it all the more important — moral treason as a matter of permission and law-trade consensus.

Lawyers argue that every defendant has the right to get the best attorney money can buy. He has — and lawyers must turn him down when there is conflict of interest. But the former prosecutors obviously did not think that baving been part of secret anti-drug operations presented a conflict of interest.

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PART I

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PAGE 9

Aviation

Boeing Launches High-Tech Dogfight

New Model Challenges Airbus For Supremacy in Wide-Bodies

By Joseph Fitchett

PARIS — The Boeing 777, a new wide-bodied airliner that went into service this month, is a \$5 billion gamble whose success or failure turns on three words: "Oh, my gosh."

If that buzz of delighted surprise erupts as passengers enter the spacious cabin, Boeing Co. has a winner in the 777, which has been designed to provide a degree of comfort and amusements that approximates the amenities of a luxury cruise.

For Boeing, the 777, the last wide-body jet to appear in the skies this century, offers an opportunity to pull up sales enough for the Seattle-based manufacturer to cruise through the current doldrums in the world airliner market.

United Airlines, soon to be followed by British Airways, is flying the 777, and Boeing has more than 150 orders for the plane, including a recently reported sale to Saudi Arabia. Reflecting the strength of the Asian market, All Nippon Airways, Thai International and Cathay Pacific all appear in the order book.

While industry experts characterized the number of orders as a disappointingly slow liftoff for sales, Boeing officials predicted that the 777 family of airliners — soon to include a shortened version and eventually to be stretched almost to jumbo dimensions — will capture an overwhelming share of a market that Boeing estimates could reach \$1 trillion in the next two decades.

"This plane will be the preferred airliner in its class because it can carry more passengers farther and faster, more cheaply, cleanly and quietly than any other twin-engine wide-body jet," said Dick Kenney, a London-based Boeing spokesman.

If the U.S. manufacturer sounds confident, Airbus Industrie can find comfort in the thought that Boeing, with its "triple

seven," has acknowledged a need to play catch-up in some respects to the competitive challenge of the European consortium's four-engine jetliners.

Airbus has matured into an entrenched rival, with a solid 30 percent market share. Airbus wants to match Boeing in a 50-50 split by 2000, and last year said it led in orders for the first time. The 777 is clearly designed to go head to head against the latest Airbus entries, the A-330 and A-340 wide-bodies.

For McDonnell Douglas Corp., the No. 3 player, Boeing's dynamism is a nightmare. The St. Louis-based company has still not found a launch customer for its low-cost, 100-seat MD-95 because Scandinavian Airlines System, long a reliable buyer of Douglas aircraft, unexpectedly gave its most recent order to Boeing.

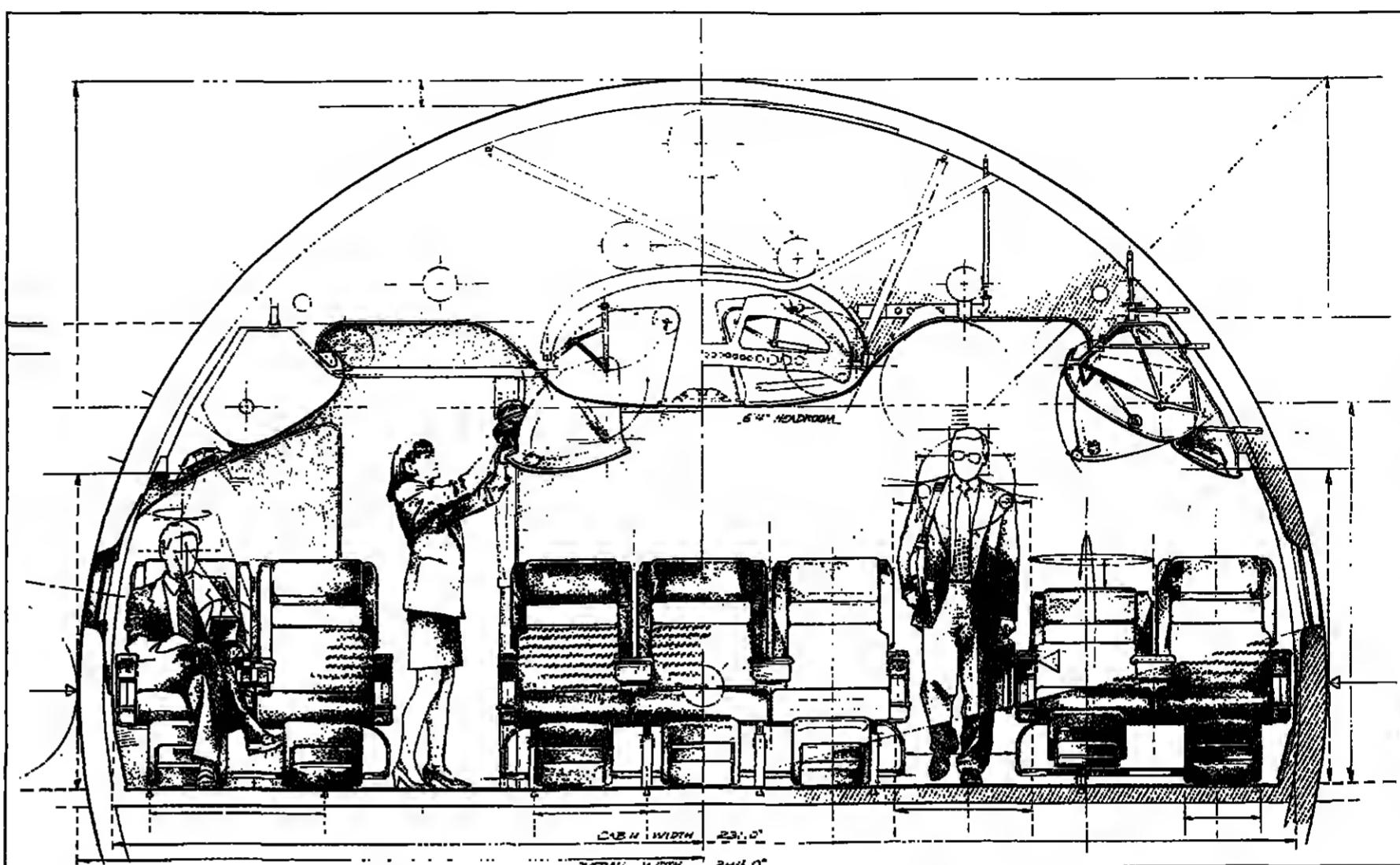
That outcome may help bring about the result predicted by John Leahy, Airbus's vice-president for sales. Airbus will prosper — and reduce McDonnell Douglas to the status of niche player — because it has succeeded in producing a family of aircraft, now including seven models, that competes with Boeing in every category except the jumbo 747.

Mr. Leahy, the first American to hold such a high-ranking post in the European consortium, came on board 10 years ago from Piper and has played a major role in selling Airbus planes in the United States and Canada. All but two major North American airlines are now customers.

Airbus has become a mature business, with its own technology, which it pioneered to break into a market dominated by the Boeing family of aircraft, including the 737 — still the world's largest-selling and most-used airliner.

The U.S. manufacturer, as a rule, concentrated on incremental improvements and shunned the risk, for itself and for customers, of radical changes.

"Boeing has a very American business culture and typically it supplies what the



Cross-section of the passenger cabin of the Boeing 777. The new airliner went into service this month for United Airlines.

market requires, no more and no less, because that is the right thing to do for shareholders," an industry expert said.

Now the 777 has assimilated some of Airbus's winning features and added its own touches.

Many of these special features of the 777 result largely from Boeing's decision to bring airlines into the plane's design right from its inception. Customers were given an unprecedented say in shaping the plane to mesh with airlines' needs and cater to passenger wishes on trans-Atlantic and other long-haul flights.

The resulting airplane looks little different on the outside from the 767, the company's previous twin-jet wide-body. But on closer inspection, the plane — Boeing's first all-new model since the early 1980s — turns out to have many fresh features.

A major selling point of the 777 are its clean, quiet twin GE-90 engines, designed to meet tough noise and pollution control standards. The 777 also comes with engines from Pratt & Whitney and Rolls-Royce.

From the customers' viewpoint, the novelty starts with the stylish cabin that is a result of the 777's being wider than any

other plane except the jumbo 747.

The extra width sounds small — only five inches (13 centimeters) — but it is enough for the cabin to have straight walls, standing headroom under the luggage racks and a sculpted ceiling that enhances the airy feeling.

Some of the 777's comforts include video screens for every seat: "To get the scale of this, you need to look forward from the last row and see the 300 individual screens," said an executive at United, the first airline to get this configuration.

The system offers six movie channels,

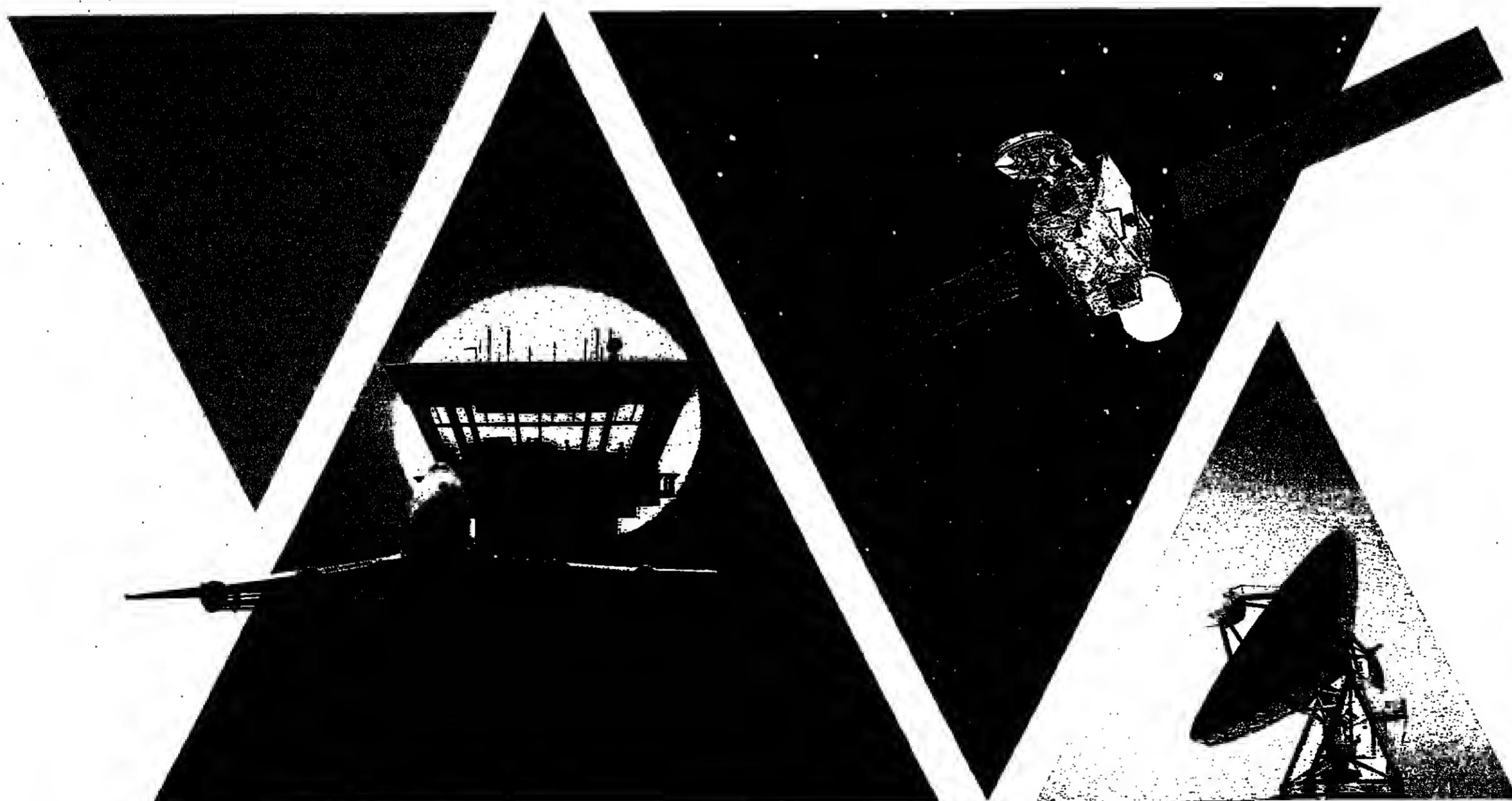
and each screen can be linked to a credit-card machine in the armrest for TV shopping on board — with the duty-free purchases to be delivered on arrival.

A Boeing executive points to the ei-

This is the first of a two-part Special Report on aviation. The second will appear June 13.

forts made to make flying less irritating, citing the 777's in-cabin climate controls that allow flight attendants to adjust the

Continued on Page 10



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AVIATION / A SPECIAL REPORT

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6 I**Boeing's 777 Takes On Rivals For Manufacturers, Prices Get Slippery**

Continued from Page 9

temperature without having to go all the way to the cockpit to ask the pilot to throw on another air log."

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that it has delivered '90s technology that will have powerful appeal on trans-continental routes and match Airbus in efficiency — for example, in quiet landing and taking off at airports with noise restrictions.

The pilots use a yoke to fly, not the computer-game joysticks that seem to have disconcerted some Airbus flight crews. For easier airport parking, the 777 has incorporated a device from naval aviation: wing-tips that fold up to save space.

For the airlines, the 777 is being touted by Boeing as a "service ready" plane in the sense that it is delivered after extensive testing, which earned it early certification for over-water flights.

"Airlines used to need months to domesticate a newly delivered aircraft, but the 777 is almost ready to go when they get it," Mr. Kenny said.

But there is no mistaking Boeing's intent to leapfrog Airbus' comparable models and undercut the European consortium's sales argument that Airbus offers newer designs, improved technologies and lower operating costs than Boeing.

With the 777, Boeing claims

feature in almost all major modern aircraft.

Mr. Leahy says that 30 percent to 40 percent of any Airbus is made by some of the company's nearly 800 U.S. subcontractors.

American companies make a bigger share of our airliners than does any single member of our European consortium," he says. Those members are Aerospatiale of France and Daimler-Benz of Germany, each of which owns 37.9 percent; British Aerospace PLC, with 20 percent, and CASA of Spain, with 4.2 percent.

Boeing has its own pattern of subcontracting, which means that up to 45 percent of its aircraft may have been manufactured outside the United States.

On the 777, the largest single overseas participant was Japan. Led by Mitsubishi Heavy Industries Ltd., Kawasaki Heavy Industries Ltd. and Fuji Heavy Industries Ltd., the Japanese group helped design and build about 20 percent of the 777's airframe.

Engines, which account for roughly 25 percent of an aircraft's cost, have contributed heavily to the international cooperation that has become a

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

By Joseph Fitchett

PARIS — What sells airliners? Naturally, the right price. But prices seem slippery nowadays compared with how firm they were in better times for manufacturers.

Suddenly, there is talk of discounts, exchange-rate fluctuations, lifetime costs versus sticker price — familiar sales tools for most businesses but long considered out of place in this marketplace.

In fact, the only real surprise is that the shock has been so long in coming, especially since the squeeze for savings in the deregulated airline industry was bound to be passed on to manufacturers. With cut-price tickets for passengers and pay cuts for crews, airplanes were going to have to get cheaper, too.

When sticker prices failed to come down in the early 1990s, the curve of airline sales went flat. Inevitably, companies found ways to go on flying their

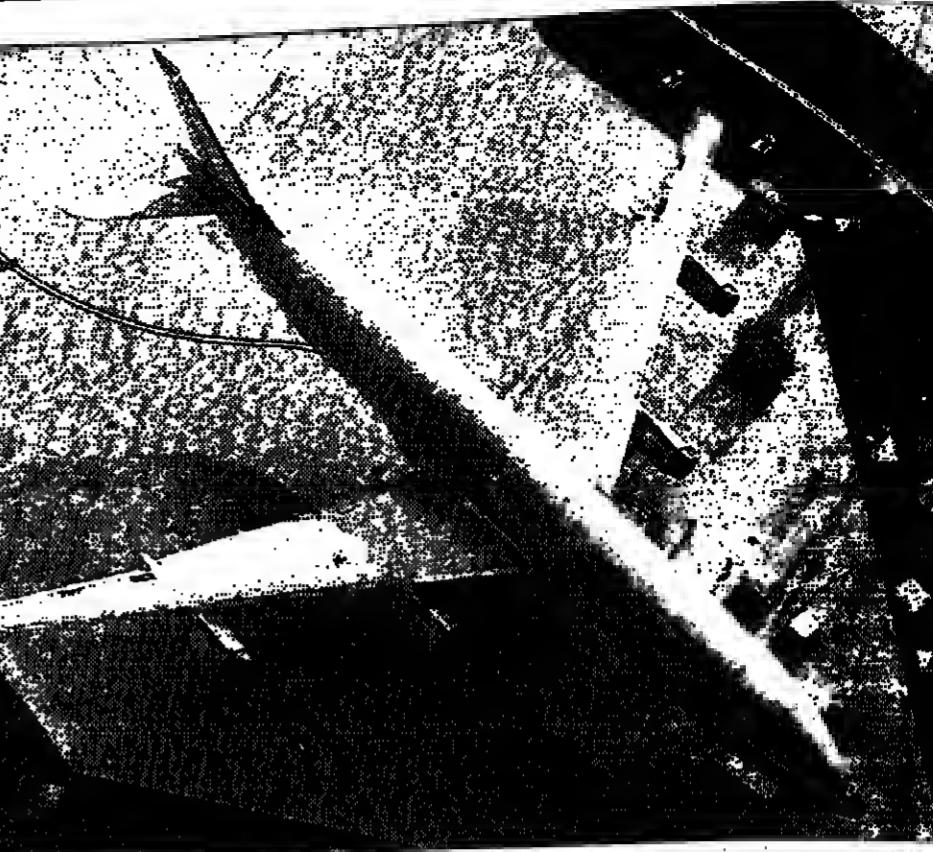
old Boeings or Airbuses — and putting off orders for new ones.

Although passenger traffic continues to rise about 5 percent a year, according to the International Air Transport Association, many fleets still have too much capacity to permit a surge of orders.

The slump has been particularly severe for such manufacturers as Boeing and Airbus, whose wide-body jets are big-ticket items for any airline: A Boeing 777, for example, costs \$122 million. Both companies are tooled to turn out around 600 planes a year, but last year neither manufacturer sold more than 250.

Scratching for business, companies are quick to accuse each other of unfair tactics — for example, using concealed subsidies to maintain market share until better days. French aircraft executives regularly insinuate that Boeing uses its 747 profits to dump smaller airliners on the market at below-cost prices.

In fact, there are signs that both Boeing and Airbus have



Tighter airline budgets have led aircraft companies to negotiate on price.

down the value of the dollar. Similar complaints have been voiced by Daimler-Benz AG, the German manufacturer that matches France in its Airbus share and larger ambitions in aviation.

With 75 percent of its costs in Deutsche marks and only 30 percent of its costs in dollars, Daimler-Benz Aerospace AG, the company's aerospace unit, might be forced to shift more of its Airbus work to subcontractors in countries with currencies aligned with the dollar, an executive warned recently.

That threat of "delocalizing" jobs to countries with cheaper labor is taboo for Aerospatiale, where the strongly unionized work force could mount an intimidating challenge if the government even hinted at reducing its commitment to a national aircraft-building industry.

A more realistic hope for Mr. Gallois, even if he cannot persuade the government to privatize the company, is to find ways some outside investors, perhaps other French companies, willing to invest the 20 billion francs that he estimates is needed to restructure Aerospace.

And like Daimler-Benz Aerospace, Aerospatiale — where Mr. Gallois is aiming for 2 billion francs (\$403 million) in research and development funds for a successor to the Concorde in the supersonic market — can hope that its warnings will prod the government to provide funding that would allow it to explore generic technology for use in future aircraft when the market recovers.



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New Book Examines Subsidies for Airbus

PARIS — In promoting its A-340 in the late 1980s, Airbus Industrie used government subsidies as a secret sales pitch to convince potential customers that it could deliver faster and cheaper than its rival U.S. manufacturers, according to a new book by Jacques Attali, a key aide in the late 1980s to President François Mitterrand.

Airbus officials have always denied that subsidies were important in the company's development, but Mr. Attali's book, "Verbatim II: 1986-1988," reports that Mr. Mitterrand decided in February 1987 to support Airbus's request for financial guarantees to counter the American challenge.

Boeing Corp. and McDonnell Douglas "are very upset because Airbus is telling all the airlines that, thanks to its government subsidies, it can deliver the plane in three years, at a cost 15 to 20 percent lower," he writes.

In fact, Airbus had not received any guarantees at this juncture, the book says, adding that Mr. Mitterrand immediately wrote to Airbus pledging his help in getting support from France and its European partners.

Official backing was seen as important for Airbus in lending credibility to the European consortium's claim that it would be able to come through on time and on budget, mainly with a new engine designed to power the A-340 on trans-oceanic routes. The engine, the CFM-56, was created by General Electric Co. of the United States and Snecma, a state-owned French engine-maker.

Defending its reliance on government help, Airbus has often charged that Boeing and McDonnell Douglas received help themselves, including hidden subsidies in the form of research and development spending on military aircraft.

— Joseph Fitchett

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AVIATION / A SPECIAL REPORT

Time-Sharing Helps Bring Corporate Plane Market Out of the Doldrums

By Lawrence Malkin

NEW YORK — It's Friday in Casablanca and you have to be in Kazakhstan on Monday to close an oil drilling deal. Not even the Concorde covers that route, and as for making connections via Miami and Moscow, forget it.

Pick up the phone and call for your own plane — or at least your part of it.

"No, you don't get just a wine and a praver but a business aircraft that has been split into time shares like a vacation condominium. What each owner really buys is the right to call on a pool of planes, one of which is guaranteed to be ready to take off on a few hours' notice from the airport of his choice."

After years of stagnation, the U.S. market for business jets is expanding. Time-sharing is a major force behind that growth.

It may be less than chic for an executive to boast that he owns just one-eighth of a jet, said Bob Zoskin, aviation market specialist at Avital consultants, "but the price of a whole one has become so high that it has become harder and harder to justify a purchase."

The idea has helped revive the fortunes of Raytheon Co. through increased sales of its Hawker 1000 business jet.

Time-sharing has also been a boon for Cessna Aircraft Co. In the largest single order for business jets in history, NetJets, based in Montvale, New Jersey, bought 25 of the company's medium-range Citations last year.

Only Dassault Aviation SA of France, which sells about two-thirds of its business jets outside Europe, is standing aside: The company said it thought owners of its top-of-the-line Falcon jets would be unwilling to share.

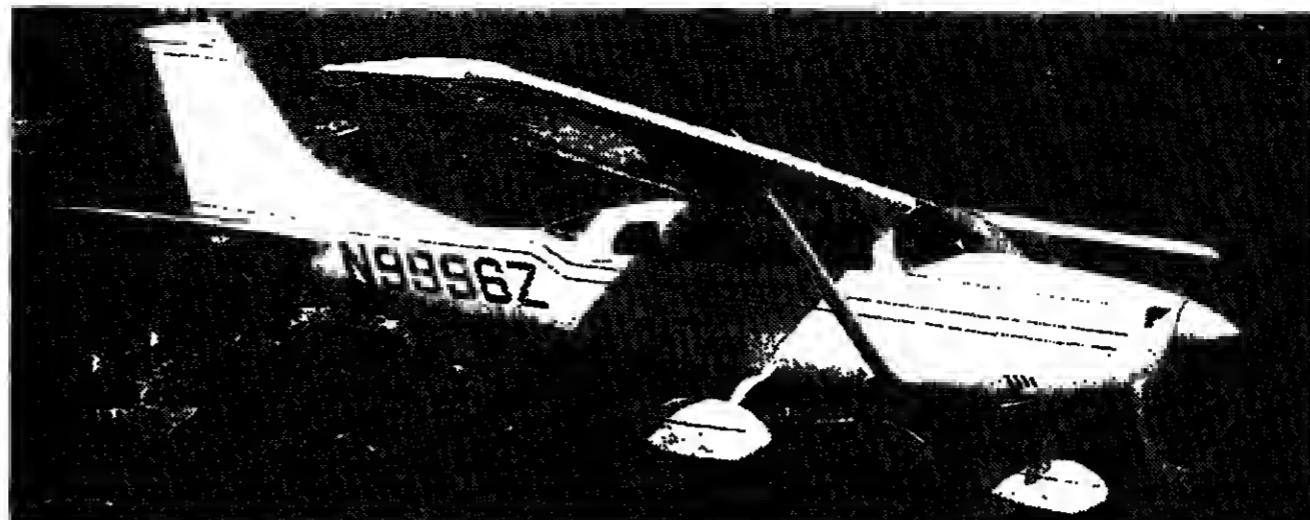
When Raytheon was having trouble selling Hawkers whole, NetJets was able to sell them in pieces. In the latest issue of The New York Observer, an upscale weekly, NetJets advertises a new Hawker 1000 — "stand-up cabin, coast-to-coast range: \$1,550,000." That is an eyebrow-raising price for a \$12 million plane.

Bombardier Inc. of Canada has just set up a competing service called Business Jet Solutions to help move its Learjets and Challengers straight off the assembly line. The time-sharing company is a joint venture with AMR Corp., the parent company of American Airlines. AMR will handle service, maintenance, and scheduling.

The time-share movement has spread to Europe through JetNetwork, which is building on the widespread charter contacts of its parent, Air London International PLC.

"There is a great pent-up demand for this type of shared ownership in Europe because it is completely anonymous," said Michael Riegel, managing director of Jet Network. "Whether it is Swiss investors who don't want to be seen, Italians afraid of kidnapping, British or French entrepreneurs trying to seize new business, or big public companies, people will go to any lengths to keep their corporate jet out of the newspapers."

In the United States, the company jet has also become an ostentatious badge of shame as corporations lay off workers. But at



Companies can now buy access to a fleet of business aircraft for a fraction of the price of one plane.

Cessna Aircraft Co.

the same time, it has become more necessary as businesses decentralize and the commercial airline hub-and-spoke system turns a one-day trip into a grueling two-day obstacle course.

Corporate jets can take the most direct route by using up to 5,000 U.S. airports, and Mr. Riegel said similar point-to-point connections would jump European frontiers.

The inventor of the time-share system used by NetJets, a unit of the privately held Executive Jet Aviation Inc., is Richard Santulli, former head of leasing for Goldman, Sachs & Co. A mathematician, he

says that the key to the system was \$2 million in computer software for managing his fleet. Starting in 1987, he spent at least \$35 million for a fleet of dedicated planes, dedicated crews, and dedicated maintenance because you can't cannibalize from a charter fleet.

The customers he sought were small and medium-sized companies unable to afford a plane of their own.

Here's how it works: A company trying out its first plane buys a one-eighth share in one of NetJets' fleet of 24 six-passenger Citations. Its \$330,000 capital cost is tax-

deductible for business purposes just as if the company owned all of the \$2.5 million plane. A one-eighth share entitles the company to 100 flying hours a year, and it pays an additional \$6,000 a month for insurance, crew and parking. Double those figures for a one-quarter share, plus \$1,120 for every hour actually in flight for fuel and cater-

ing. The meter starts ticking only when the owner is aboard — and he does not have to pay for an empty return flight. The moment the part-owner disembarks, the plane and its crew are free for the next flight, usually

at a nearby airport. The planes are not based at any particular airport, but are regularly maintained at the NetJets service center in Columbus, Ohio. All this guarantees fixed and predictable costs. Owners may also sell their share to NetJets at market prices, trade up to a larger plane.

The top of the line is the long-range Gulfstream, a luxury plane that sells for about \$25 million.

The number of "owners" in NetJets aircraft has increased from 150 to 242 less than a year. The company says clients are split about equally between companies and wealthy investors, some of them tired but still big financial players.

In Europe, Mr. Riegel's Jet Network is beginning with Citations, whose 1,500-mile (2,400-kilometer) range allows them to reach most of the continent's big cities. Charter customers can apply part of the fees toward buying a plane share, and a network of financial advisers, yacht brokers, and even two minor members of royalty has been organized to spread direct word of the service.

The most difficult part was building a legal structure so that deductions for the costs of each plane could be shared among up to six different tax jurisdictions. This proved so complicated that Mr. Riegel regards the solution as such valuable proprietary information he will not tell anyone how to do it, except lawyers for prospective owners.

LAWRENCE MALKIN is New York correspondent of the International Herald Tribune.

Top-Flight Carriers Find Easier Financing Available for Aircraft Purchases

By Aline Sullivan

LONDON — After several painful years, aircraft financiers are once again vying to supply funds to the world's airlines. But for the best deals, only the most creditworthy carriers need apply.

Severe competition among French and Japanese banks for the top airline risks has cut interest rates by almost half for some financing arrangements, according to analysts and bankers. Terms of return and the calculation of residual values are also more to the buyers' liking, they said.

Financiers remain enamored of the aviation industry, despite the heartaches caused by the plunge in aircraft prices and the performance of airlines earlier this decade. Loans secured by aircraft are still perceived as safe long-term investments.

Indeed, airplane prices have already started to recover thanks to a shortage of certain types of aircraft. Bankers also ex-

pect sunnier days for the carriers as air traffic picks up and restructuring programs begin to pay off.

In many countries, aircraft financing is made more attractive by government export credit guarantees and generous tax concessions.

Also, bankers privately acknowledge, there is the glamour aspect. Many banks and brokerages have dedicated aviation finance departments larger than those concentrating on more lucrative, if more mundane, industries.

In Japan, banks and leasing companies are further motivated by the conspicuous absence of other business. As one analyst put it, "Japan Inc. isn't borrowing any more, so the banks have instructed their international branches to arrange aviation deals."

That said, the leading Japanese lenders — Long Term Credit Bank of Japan, Sumitomo Bank Ltd., Mitsubishi Bank Ltd., Mitsubishi Trust and Banking Corp. and Sanwa Bd. Ltd. — remain extremely

conservative in their lending policies. In what has been described as a continued flight to quality, only the strongest Asian and European airlines — those most likely to benefit from the expected growth in the Chinese aviation market are considered likely prospects.

According to bankers, these chosen few are: British Airways PLC, China Air Lines Ltd., All Nippon Airways Co., Japan Air Lines Co., Thai International Ltd., Cathay Pacific Airways Ltd., China Northern and Swissair.

Among the many financing options open to these eight carriers are Japanese leveraged leases. These allow suppliers generous tax concessions, enabling them to pass on significant savings to their borrowers.

Of course, the stronger the airline, the better the deal. A deal with Japanese lenders allowed British Airways to cut its borrowing costs by 40 percent for its new Boeing aircraft, according to analysts, while China Air has cut its borrowing costs by 25 percent. On average, airlines are now paying interest rates that are 35 basis points, or 0.35 percent, over the London Interbank Offered Rate, down from 50 basis points a year ago.

All told, Japanese lenders account for about 25 percent of total aviation financing, down from 35 percent a year ago.

Like the Japanese, French financiers target the top carriers and the very best of the second tier. But, according to Steven Dexter, aviation analyst at Kemper Investment Management in Chicago, there is plenty of demand for finance in every corner of the aviation industry.

"A lot of the airlines and lessors are running low on planes and will be forced to order soon," Mr. Dexter said. "We are at the beginning of an upswing in orders. The upswing in deliveries will come in 1996."

Charles Donald, analyst at UBS Ltd. in London, said he also expected a surge in aircraft orders over the next few months. "Many airlines are finding that their fleets are nearing the end of their lives," Mr. Donald said. "We expect deliveries to hit a low this year and then grow substantially thereafter. It will be interesting to see who actually gets financing."

Most of what is perceived as the second rank will probably be successful in obtaining financing, analysts predicted. This group, which includes many European and Asian airlines and the top North American carriers, should benefit from the participation of more banks in the markets.

Recent entrants have included ABN-AMRO Bank of the Netherlands and several regional German banks.

The shakier airlines, however, will find the going tough. The competition for the business of their more creditworthy rivals has not trickled down.

Instead, those carriers have been left with little access to financing apart from the relatively expensive assistance of aircraft manufacturers. Many of these carriers, most notably the small U.S. airlines, have been forced to cancel or cut back their

orders in recent months despite the projected upturn in the aviation business.

All told, an estimated \$25 billion will be required each year until the year 2000 for finance purchases of new aircraft, according to Air Finance, a London-based industry magazine. It further predicts that 15 percent to 20 percent of that total will not be raised unless new forms of financing are developed.

Plenty of effort is being expended with this aim in mind, particularly in the United States, where the shortage of financing is most acute. Banks, manufacturers, export credit agencies and other lenders are coming up with arrangements. Citibank, Boeing, the Irish lessor GPA, and the U.S. carriers United Airlines and Northwest have participated in recent agreements. Eventually, such arrangements could finance up to \$10 billion a year in aircraft orders, analysts predicted.

ALINE SULLIVAN is a journalist based in London.

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AVIATION / A SPECIAL REPORT

Europe's Warplane That Wouldn't Die

By Joseph Fitchett

AIRIS — The Eurofighter — which has fallen far behind its original delivery dates in the 1990s and has now been rebaptized "Eurofighter 2000" — continues inching toward production and is making a public debut this year.

Now apparently past the point of no return, the Eurofighter project seems to be faring almost as well as the rival planes being built by a single nation in the most critical test of all these days: weathering the initial turbulence caused by the crash of Soviet air threat.

All these new warplanes — including F-22 in the United States, the Rafale in France and the Gripen in Sweden — illustrate a governmental tendency to stretch schedules to postpone costs and keep door open for new technologies.

For the Eurofighter, these delays were and to be compounded as post-Cold War arms and industrial strategies diverged among the partner governments: Britain and Germany, each with 33 percent of the project, Italy with 21 percent and Spain with 13 percent.

The radical reappraisal in Bonn, which one point poised pulling out of the project, is no longer causing delays: The German government recently reached a tenuous agreement with Daimler-Benz Aerospace, the aerospace division of Germany's largest company, Daimler-Benz AG, to 500 million Deutsche marks (\$354 million) for the extra development work posed by a review that started in 1992.

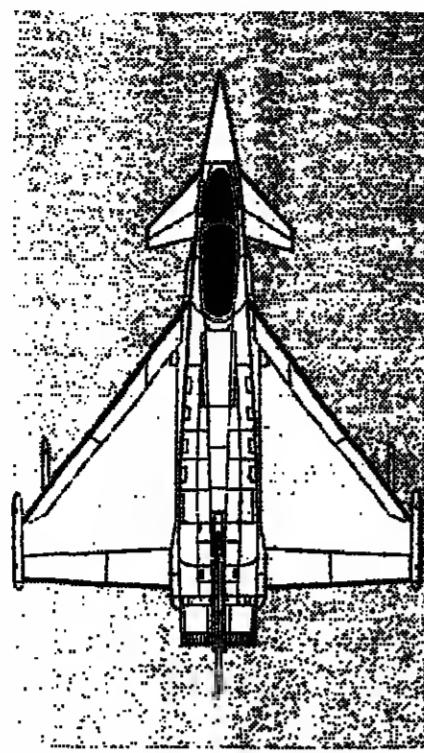
More disputes lie ahead. Since Germany's decided to order only half as many of twin-engine planes as Britain, which aims to purchase 250, London wants to take over leadership of the consortium and bigger, better share of the industrial work perhaps as much as 40 percent of the £32 billion (\$30.9 billion) program. Italy still wants 120 aircraft, while Spain will take 13 percent of whatever the final production turns out to be.

This problem looks minor, however, compared with the risks that have often put the program in jeopardy in the past.

Much of the delay arose from the Eurofighter team's meticulous reworking of the interface between the software in the computerized fly-by-wire system and the hardware, meaning the actual surfaces that have to be moved in flight.

Problems with this interface were blamed for crashes involving test versions of the Swedish Gripen, including a spectacular one in Stockholm's harbor, and the way crackup of an F-22 Raptor built by Rockwell.

Pushing the flight envelope, these new planes make extraordinarily high technical demands on the electronics that keep them stable. Politically, however, criticism of these expensive projects has been so strong at a single crash, at the wrong moment, could jeopardize them, industry executives



The Eurofighter may debut this year.

say.

The cautious approach for Eurofighter — perhaps the most vulnerable to cancellation — seems to have paid off in avoiding a disastrous incident.

Of course, the price has risen to the point where a recent German report, from the government auditor's office, said each plane will cost 150.5 million Deutsche marks plus 20 million DM for their warranty. The German Defense Ministry, which initially forecast that the fighters would cost 103 million DM each, said the auditors' figures were out of date.

Even at the higher price, German aerospace officials said, the Eurofighter, now that more technological improvements have been incorporated, "resembles a cheaper version of the F-22."

U.S. officials contest that view, saying that the F-22 is a superior warplane, largely because it has more "stealth" features.

But the compromises about Eurofighter's final design may turn out to improve its export potential. At German insistence, the plane will be delivered in a bare-bones version with a range of optional extras — a formula that could appeal to Poland and other governments in Eastern Europe.

The Eurofighter consortium has already started a program of leasing Tornados, the preceding European fighter, to prospective customers, including Italy and possibly Poland and a Gulf state.

For Germany's partners in Eurofighter, it was vital for the program to continue because their aviation industries have become so dependent on it. Different parts of

the plane are made by the national companies: for example, the fuselage comes from Daimler-Benz (Dassault), the right wing from Italy's Alenia SpA, and the left wing from Spain's Construcciones Aeronáuticas SA and British Aerospace PLC, which also makes much of the rest.

Cumbersome as it is, this elaborate industrial arrangement has survived because the stakes in military aviation have shifted: As Eurofighter demonstrates, people in the industry say, the survival of major programs, even at the cost of long delays that are inevitable in any collaboration, has become more important than briskly keeping pace in a tense arms race. Preserving jobs in this sector has become the overriding concern.

In Germany, despite strong national ambitions in the aerospace industry, budget cuts have halved the work force in the defense sector since 1990, down to 140,000, and German unions contend that another 40,000 jobs are at risk unless major new projects similar to Eurofighter are forthcoming.

HONG KONG — By the year 2000, the Pearl River Delta, an industrial dynamo of southern China that includes Hong Kong, Guangzhou and Shenzhen, will have five new airports, making it potentially the busiest air-traffic center in the world.

Shenzhen, next door to Hong Kong, was first — opening an airport in 1991 that serves an area that has boomed as Hong Kong companies have shifted a large share of their manufacturing across the border. Nearly 3.2 million passengers and 61,500 tons of cargo were moved through the airport last year, an increase of 25 percent and 42 percent respectively over 1993. The airport has already expanded its runway and cargo areas.

Another Hong Kong neighbor, Zhuhai, just opened its airport. Although it is a domestic airport, it can handle 10 million passengers and 400,000 tons of cargo a year and is expected to apply for international airport status in 1997.

Only a few kilometers away from Zhuhai, the Portuguese territory of Macao is soon to open an international airport with an annual capacity of 6 million passengers in its first phase and a doubling of that in a later phase.

Apart from serving as a gateway to the busy western Pearl River Delta, Macao International Airport hopes to become an alternative to Hong Kong, whose overburdened Kai Tak airport is forced to turn away flights.

BUT HONG KONG is fighting back. At a total cost of \$9.6 billion, its new Chek Lap Kok Airport ranks among the largest construction projects ever. With an annual capacity of 35 million passengers in its first phase, it will dwarf the other airports in the region when it opens in 1997.

Finally, northwest of Hong Kong, Guangzhou's Baiyun Airport is bursting at the seams, with 10 million passengers last year. The first phase of a new, \$1.8 billion airport is to start operation in 1998, eventually replacing Baiyun.

Guangzhou's Baiyun Airport is bursting at the seams, with 10 million passengers last year. The first phase of a new, \$1.8 billion airport is to start operation in 1998, eventually replacing Baiyun.

This airport-building frenzy is a reflection of the region's wild growth rates.

Zhuhai developed from a fishing village of 10,000 people to an industrial glass and concrete center of 600,000 inhabitants in 15 years. Shenzhen has seen 30 percent economic growth annually for 10 years.

Stirred out of its 200 years of slumber by the industrial revolution north of the border, Macao has seen a spurt of development, with a few old Portuguese facades buried in a forest of new skyscrapers.

The problem is that all these airports have an ability to handle 75 million passengers a year, nearly equaling China's total passenger traffic volume for 1994. Some worry that the Pearl River Delta will have too much of a good thing, at least temporarily.

"You will see a fairly strong competition among the different airports, even after both Hong Kong and Macao are taken over by China," said Zavong Koo, an aviation analyst at CS First Boston in Hong Kong.

"You will probably see airports such as Zhuhai and Shenzhen will try to attract traffic by offering lower landing costs."

Hong Kong reverts to Chinese rule in 1997, while Macao will become a Chinese territory in 1999.

All the new airports are owned and run by local governments or government-owned companies that are eager to recover investment costs. In addition, both Shenzhen Airport Group and the authorities in Guangzhou are hoping to attract private-sector investment.

"The Chinese are working to remove a number of structural obstacles to private-sector participation in equity and debt financing for large infrastructure ventures," said Sheldon Trainer, an associate at Morgan Stanley in Hong Kong.

Stanley in Hong Kong. Until then, he said, "it is unlikely that you will see significant foreign participation in the financing of Chinese airport facilities."

Richard Siegel, deputy director of the Civil Aviation Department of Hong Kong, agrees that there will be competition between the new airports, but he says he is not worried about the prospects for Chek Lap Kok. "I think the different airports will compete, but they will also complement each other," he said.

Kong Dong, president of Shenzhen Airport Group, is also undeterred by the prospect of empty runways. Calling predictions of a doubling in passenger and cargo volume handled by Shenzhen Airport by 2000 "on the safe side," Mr. Kong said that, according to economists, the Shenzhen economy would grow 16 percent a year from 1996 to 2000.

Undoubtedly, he said, "Shenzhen Airport passenger and cargo volume will snowball subsequently."

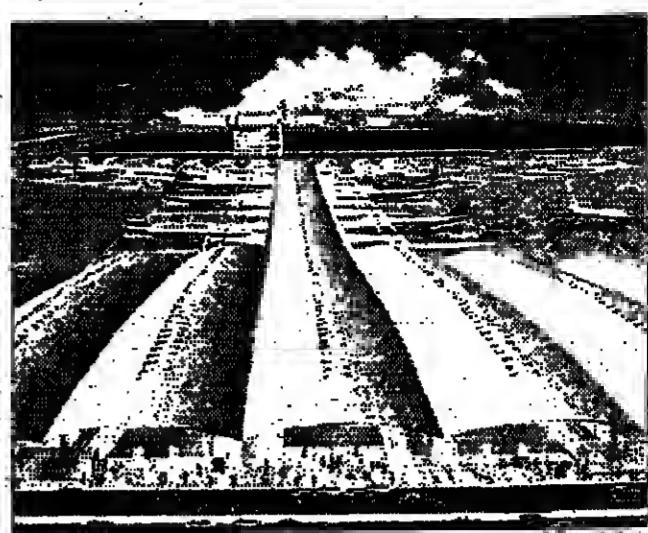
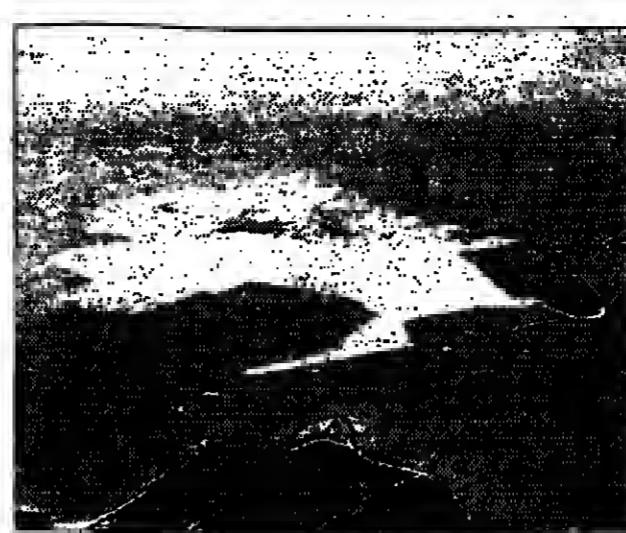
The optimism is founded on national Chinese forecasts, predicting that air traffic will increase from 78.4 million passengers last year to 95 million in 1995 and 170 million in 2000, 4.6 times the level of 1990.

That figure, as well as the proximity of the five new airports — they lie in an area of less than 9,750 square kilometers (3,600 square miles) — raises concern about the air safety in the Pearl River Delta.

China has one of the world's worst air safety records, and several recent accidents have been attributed to inadequate air traffic control or poor communication between crews and control.

But Mr. Siegel argues that there is excellent air-traffic-control cooperation among China, Hong Kong and Macao. "We are confident that this good air traffic structure will be maintained," he said.

JON LIDÉN is a writer based in Hong Kong.



Aerial photograph of the site of Chek Lap Kok Airport near Hong Kong (left) and drawing of the finished terminal.

Southern China Sees an Airport Boom

By Jon Lidén

HONG KONG — By the year 2000, the Pearl River Delta, an industrial dynamo of southern China that includes Hong Kong, Guangzhou and Shenzhen, will have five new airports, making it potentially the busiest air-traffic center in the world.

Shenzhen, next door to Hong Kong, was first — opening an airport in 1991 that serves an area that has boomed as Hong Kong companies have shifted a large share of their manufacturing across the border.

Nearly 3.2 million passengers and 61,500 tons of cargo were moved through the airport last year, an increase of 25 percent and 42 percent respectively over 1993. The airport has already expanded its runway and cargo areas.

Another Hong Kong neighbor, Zhuhai, just opened its airport. Although it is a domestic airport, it can handle 10 million passengers and 400,000 tons of cargo a year and is expected to apply for international airport status in 1997.

Only a few kilometers away from Zhuhai, the Portuguese territory of Macao is soon to open an international airport with an annual capacity of 6 million passengers in its first phase and a doubling of that in a later phase.

Apart from serving as a gateway to the busy western Pearl River Delta, Macao International Airport hopes to become an alternative to Hong Kong, whose overburdened Kai Tak airport is forced to turn away flights.

BUT HONG KONG is fighting back. At a total cost of \$9.6 billion, its new Chek Lap Kok Airport ranks among the largest construction projects ever.

With an annual capacity of 35 million passengers in its first phase, it will dwarf the other airports in the region when it opens in 1997.

Finally, northwest of Hong Kong, Guangzhou's Baiyun Airport is bursting at the seams, with 10 million passengers last year. The first phase of a new, \$1.8 billion airport is to start operation in 1998, eventually replacing Baiyun.

This airport-building frenzy is a reflection of the region's wild growth rates.

Zhuhai developed from a fishing village of 10,000 people to an industrial glass and concrete center of 600,000 inhabitants in 15 years. Shenzhen has seen 30 percent economic growth annually for 10 years.

Stirred out of its 200 years of slumber by the industrial revolution north of the border, Macao has seen a spurt of development, with a few old Portuguese facades buried in a forest of new skyscrapers.

The problem is that all these airports have an ability to handle 75 million passengers a year, nearly equaling China's total passenger traffic volume for 1994. Some worry that the Pearl River Delta will have too much of a good thing, at least temporarily.

"You will see a fairly strong competition among the different airports, even after both Hong Kong and Macao are taken over by China," said Zavong Koo, an aviation analyst at CS First Boston in Hong Kong.

"You will probably see airports such as Zhuhai and Shenzhen will try to attract traffic by offering lower landing costs."

Hong Kong reverts to Chinese rule in 1997, while Macao will become a Chinese territory in 1999.

All the new airports are owned and run by local governments or government-owned companies that are eager to recover investment costs. In addition, both Shenzhen Airport Group and the authorities in Guangzhou are hoping to attract private-sector investment.

"The Chinese are working to remove a number of structural obstacles to private-sector participation in equity and debt financing for large infrastructure ventures," said Sheldon Trainer, an associate at Morgan Stanley in Hong Kong.

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July 10, 1995

Paris Looks to Bonn to Get an Ambitious Spy Satellite Program Off the Ground

By Joseph Fitchett

PARIS — When Pierre Lellouche announced that France's future as a military power depended on heavy-lift cargo planes and spy satellite tanks, he drew attention by saying the unsayable about Europe's strategic shortcomings.

In an interview with the newspaper Libération, Mr. Lellouche, a member of the French National Assembly and the diplomatic adviser to Jacques Chirac during his presidential campaign, said the Rafale aircraft and Leclerc tank projects that employ tens of thousands of potential voters were "Cold War weapons" and less sophisticated than rival American products.

He promptly suffered the fate of prophets in their own countries. Mr. Chirac, a few days before winning the presidency, had to separate himself from Mr. Lellouche's comments and come out strongly in support of continuing the Rafale, manufactured by Dassault Aviation SA, and the Leclerc tank, produced by the state-owned GIAT Industries.

But Mr. Lellouche and his agenda are not going away. The outcry over his comments sprang from his tactlessness in frontally assailing armaments programs that involve so much money and so many jobs. An older politician said: "You never try to kill a program that is under way until you have a ready alternative to promise the same service arm and the same industry."

Significantly, no one seriously challenged Mr. Lellouche on his strategic thesis: A glaring weakness in the arsenals of France — and the rest of Europe — is the lack of overhead reconnaissance and cargo

planes capable of carrying troops and equipment long distances. To help remedy the situation, Airbus Industrie, the European consortium, recently announced plans to develop a military transport plane.

France almost single-handedly has started a military satellite program, but any credible plan to sustain and broaden it depends on bringing in German help. A French-German tandem, experts say, could drive a program providing overhead reconnaissance of the type European governments will need to cope with the contingencies of the post-Cold War era.

Support for a military satellite program has crystallized in Germany, partly for the reasons of military self-sufficiency and political prestige cited by Mr. Lellouche, and partly because of German industrial ambitions.

Daimler-Benz Aerospace AG "has set its sight on seizing the lead in satellites in Europe," an executive at a French missile manufacturer said. He predicted that Germany would succeed in becoming the primary European producer of satellites by the end of the century.

A key stepping stone in this industrial strategy is a deal merging the satellite work of the German company with that of France's state-owned Aerospatiale. The two governments seemed near to closure early this year, but the deal was put on hold until it could be reviewed by the new Chirac government.

This elusive cooperation, which has been pursued for years, has founded on the complexities of an interlocking approach that tied the formation of the new company to German participation in it.

A combination of frustration and urgency has finally convinced Paris and Bonn to delink the two issues. The political

sensitivities about the status of Aerospatiale are liable to become more acute because of a looming battle in France about the future of state-owned monopolies and the outlook for workers in the public sector, which is heavily unionized.

For military planners in France and Germany, there can be no doubt about the urgency of a deal. Helios I, a photographic satellite, will be launched this year. It was built by two French contractors, Matra-Hachette SA and Aerospatiale, for a French-led consortium set up in 1987.

But even with financing from Italy (15 percent) and Spain (5 percent), the program has become too expensive — and perhaps too important — to continue without major German participation.

Europe is beyond asking whether to get into the spy satellite business. Now the question is how.

The critical step, alongside the production of Helios II, is the development of a more expensive radar-imaging satellite, initially called Osiris and recently renamed Haurus, another Egyptian sun deity whose name is considered more attractive to Germans.

This array offers obvious advantages. For one thing, Germany has always preferred a radar-imaging satellite that could cope with the cloud cover in Central Europe.

In addition, combining photographs and

radar images reveals a wealth of extra di-

mensions and information — "like putting two one-franc coins in your pocket and finding that it gives you a five-franc piece," a German aerospace executive said.

Even with three satellites in orbit and a little help from Spot, the civilian satellite that provided useful intelligence to the allies in the Gulf War, a multinational effort is required to finance the sustained coverage that Europe needs.

In a tempting offer, Lockheed has offered to sell Germany a satellite at an unbeatable low off-the-shelf price. But Bonn's political priority is a deal with France, and France wants Germany's money.

Even with the new approach separating German participation in the satellite programs from the creation of a new industrial entity, three complicating factors stand out.

The most prominent is Mr. Chirac's view, often articulated by Mr. Lellouche, that France should not "sell its crown jewels" by letting Germany buy Aerospatiale's leadership in satellite technology. Looking at French subsidies of many less-promising companies, Mr. Lellouche maintains that France must not stint in supporting a high-tech champion like Aerospatiale.

A second French difficulty stems from the fears of Matra Defense Espace, the privately owned satellite maker that was the prime contractor on Helios I. A leader in this sector, Matra has strengthened its international position by a merger with GEC of Britain to form Matra Marconi Space. It was the kind of move that seemed indispensable to keep up with U.S. competition. But that French-British alliance could be threatened if Paris tilts too heavily, for political reasons, toward the proposed French-German deal.

In an unusually candid official report

published in January, Arthur Paecht, member of the National Assembly, said that Europe's future in space over the next decade depended on the deal with Bonn. But he stressed the need for Paris to insist on terms that protected future French interests in light of the potential mismatch between Daimler-Benz, a group with \$70 billion in annual revenues, and Aerospatiale, one-seventh as large in revenues and

imagery, which is in operation at Torrejón de Ardoz, Spain.

The meaning of this flurry of activity, aerospace executives said, is that Europe has gone beyond asking whether to get into the satellite business in a big way and is seriously asking how.

This was spurred by the political shock among members of the North Atlantic Treaty Organization in the fall when the Clinton administration abruptly cut off allied access to U.S. electronic intelligence in and around the former Yugoslavia.

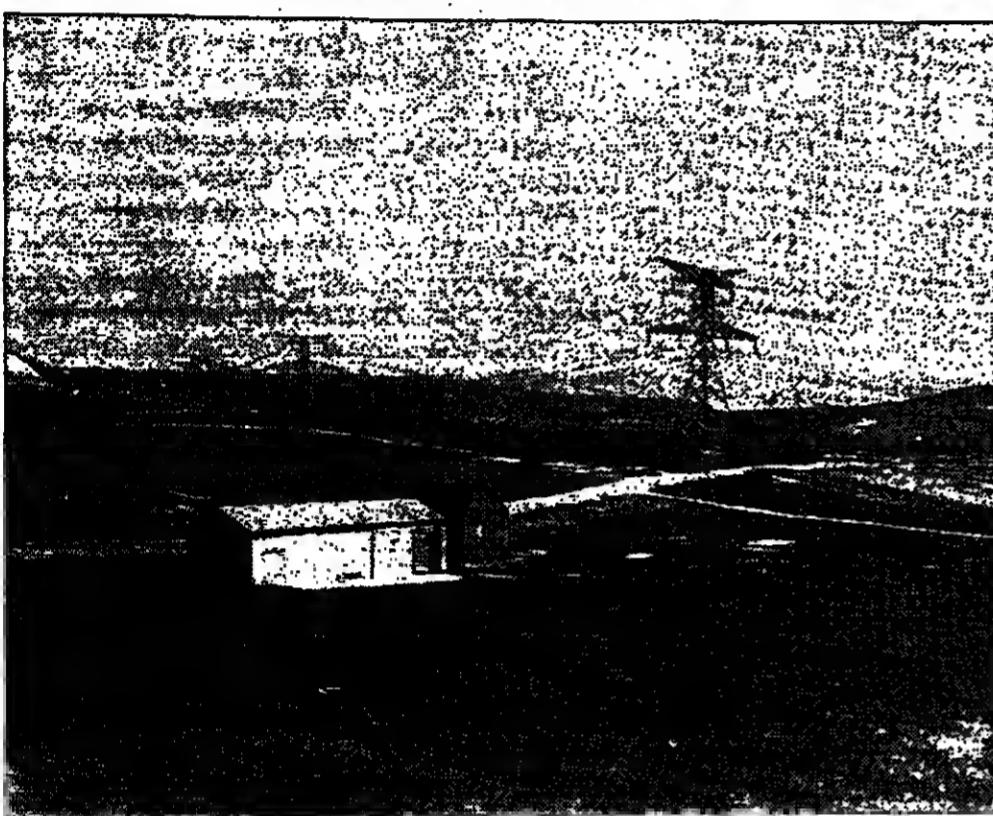
As part of congressional opposition to U.S. involvement in the embargo against weapons shipments to Bosnia's Muslims, Washington withheld surveillance data — still almost a U.S. monopoly — not only from NATO itself but also from its regular bilateral briefings with major allies.

A French defense executive said: "That episode concentrated minds even in Britain, where the argument has been that Europe did not need to make massive investments in a domain where the United States could be relied on to do the job for us."

Even during the Gulf War, according to the Paecht report, the United States showed only interpretive analysis — never the actual satellite imagery — to allied forces in the coalition.

In a long-term perspective, the development of a spy satellite system could eventually give Europe enough bargaining power to cut a deal with the United States for a division of labor in satellite coverage.

While that seems politically possible now that the Cold War is over, "it will only be realistic when we have enough assets of our own," said Admiral Jacques Lanxade, the French chief of staff.



Satellite technology can help generate near-perfect photographic images.

An All-Seeing Eye for Detail

VELIZY, France — There is literally more than meets the eye in photographs of the images produced by Prodigieus, a new French computerized system using satellite reconnaissance to help modern planners.

When the French power company Electricité de France wants to run high-voltage lines through a valley, the system generates the setting, complete with houses and trees, and then allows planners to visualize the effect of pylons from any angle — including the view from a window, road or nearby mountain.

They can even see the lines from the perspective of the mayor, a powerful player in the bureaucratic game of getting public acceptance of major electricity project.

"The visual supports for a public hearing used to consist of some photographs with hand-drawn sight lines that took several nights' work and weren't all that convincing," explained an engineer for Matra Cap Systèmes, which developed Prodigieus. "Once our material is basically loaded, we can put together the whole show in hours — and it's very convincing."

The quality of the system's images is a critical difference between Prodigieus and most virtual reality displays: The images convey the actual terrain, to accuracy within a few centimeters.

The same capability of replicating large areas can be used in cities — for example, to enable mobile-phone operators to scout sites for their relays, ensuring minimal interference from surrounding buildings. The task can also be done in hours, rather than the days it takes to do the job on foot.

The time-saving can be valuable in developing countries, where much work has to be done quickly if a project is to catch on.

Generating this virtual world involves many sources, including computer-assisted graphics from photographs. But in real value stems from the satellite imagery.

This technology's potential has long been obvious to the military planners who have been working with it.

One project involves capturing the entire surface of the earth in digitized form, providing a map for cruise missiles, which follow the contours of the ground.

A new dimension in civilian applications for overhead reconnaissance is starting to take shape. At least one major U.S. consortium, Eyeglass, is in the wings, a Canadian company is preparing to launch a radar satellite useful in the cloud-covered far north, and Russia is trying to turn its massive spy-satellite network into a for-profit operation.

Some of the most advanced work is being done in Vélizy, a western suburb of Paris, where teams of French engineers are harnessing the imagery provided by observation satellites to make life easier for all sorts of people, from sailors to ecologists to weather forecasters to restaurateurs.

These researchers — average age 27 — work for Matra Cap Systèmes, a joint venture of Matra Défense Espace, a military communications company, and Cap Gemini Sogeti, a leading French software company.

A pioneer in the business of commercializing the digitized data pouring out of space, Matra Cap aims to provide every link in the chain: earth stations for receiving downlink transmissions; software to interpret aerial photography for special markers, such as ranchers or mineral prospectors; training in satellite mapping; and even teams to technicians who help urban planners use satellite data.

"It's a brand new market, where buyers and sellers are still trying to find each other and figure out how to do business," said Patrick Joordan, a Matra Cap executive. Civilian applications last year accounted for 10 percent of Matra Cap's revenues of nearly 900 million francs (\$180 million).

Understandably, the technology is complex. Jean-Paul Arif, marketing director of Matra Cap, said his team of 1,000 people includes 50 researchers, many of whom are writing post-doctoral theses about their work.

The basic challenge — getting an accurate three-dimensional rendition of satellite imagery — requires matching of two or more images, just as

— Joseph Fitchett

human vision requires two eyes for depth perception.

Matra Cap may be matching four images — images from a satellite, radar images from another satellite, aerial photography and a map — all taking slightly different angles.

Our challenge is to fuse

sources so that the product can be examined by different customers and then to configure systems to help consumers get the answer in a form they can use," Mr. Arif said.

Some potential applications appear simple enough. When oil tankers pump their oily residue into the oceans at night, the infraction can easily be detected by satellites using infrared cameras — an operation that quickly pays for itself in fines collected from the offenders.

"Almost anything to do with

the sea is promising for us,"

Mr. Joordan explained. Satellites can track dangerous icebergs in northern waters, spot temperature changes in the water that provide a clue to fish movements and collect the data needed to determine the pollution index at a beach resort.

In Spain, Matra Cap has detected the slow soil changes that foreshadow desertification in time to provide palliatives. A team from Madagascar, trained for three months, is mapping the island, in digitized form, for the first time. South Korea is also being mapped in this way, to improve on maps that haven't been updated since World War II.

The company has also de-

veloped, with the British Me-

teorological Office, an item known as Mistic. Costing 10,000 French francs, it delivers satellite weather data to the equivalent of a personal computer.

The company says it is selling

about 50 Mistics a day. "Most

of our customers are govern-

ment agencies that want map-

ping, and some of the best are

tax departments because they

can see their investment coming

back so quickly," Mr. Arif said.

Other customers include sailors,

other outdoor sports enthusi-

asts,

and restaurant owners who

want to have some warning

about whether or not to open

their outdoor terraces.

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Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending June 9. Prices supplied by Telekurs.

Rank	Name	Ccy	Maturity	Price	Yield
82	Germany	DM	08/20/98	101.2600	5.6800
91	Treuheld	DM	07/14/95	98.7900	5.9400
96	Germany	DM	05/28/99	100.5300	5.7200
74	Germany	DM	03/21/00	107.3800	7.2200
102	Treuheld	DM	12/20/95	104.8075	7.0400
109	Germany	DM	04/22/95	104.4417	6.8400
113	Germany	DM	07/21/95	104.4417	6.7400
114	Germany	DM	08/21/98	110.7400	7.4800
116	Germany	DM	08/14/98	102.8200	6.2000
124	Germany	DM	08/29/98	101.3900	5.6700
125	Denmark	DKK	07/16/95	97.5000	6.2000
128	Germany	DM	11/19/97	100.7200	5.2100
134	Credit Local	DKK	04/02/98	101.5300	4.4000
147	Germany	DM	01/28/99	108.4300	8.8400
153	Bundesbank	DKK	02/20/98	105.8400	8.8700
154	Germany	DM	01/22/98	102.1100	7.9400
156	Germany	DM	02/09/99	99.5000	4.8200
166	Ouebec FRN	DKK	08/16/95	97.4300	4.4300
174	Bank Finance	DKK	04/01/98	102.4500	7.4300
178	World Bank	DKK	04/12/98	110.5000	4.1200
105	World Bank	DKK	12/22/97	107.5000	4.1700
124	EIB	DKK	05/07/98	101.1700	5.1100
130	World Bank	DKK	03/26/98	104.2000	4.0500
131	World Bank	DKK	04/20/98	111.2000	4.0500
133	Bank FRN	DKK	04/04/98	109.5000	4.0300
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Herald Tribune

BUSINESS / FINANCE

MONDAY, JUNE 12, 1995

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CYBERSCAPE**The Virtual Art Museum: Culture at Your Fingertips**By Miranda Haines
Special to the Herald Tribune

LONDON — A view of Rouen Cathedral by Claude Monet will be sold for an estimated \$4 million (\$6.4 million) at Christie's on June 26. But you can snap up another Monet, along with a few Cézannes, Renoirs and Matisse from the famed Barnes Collection — all for \$49.95.

That price does not buy paint on canvas, but an interactive compact disk, or CD-ROM, entitled "A Passion for Art: Renoir, Matisse and Dr. Barnes." It is published by Corbis Corp., the other company founded by Bill Gates, chairman of Microsoft Corp.

In a marriage of classic art and modern technology, institutions such as the Musée du Louvre in Paris, the Frick Collection in New York, and the National and Tate galleries in London are cooperating with software publishers to bring out digital versions of masterpieces from around the world.

Early reports have been encouraging. "My market for the arts CD-ROMs has grown 80 percent in the last 10 months," said Ian Sevan, managing director of Centre Point Software in London.

Emmanuelle Croesfeld, sales manager at Montparnasse Multimedia in Paris, which co-released "Le Louvre: The Palace and Its Paintings," said the compact disk has sold 40,000 copies in France since December.

Michael Wilson, head of exhibitions at the National Gallery in London, believes that the interactive compact disks, far from stopping people from visiting the galleries, will bring in new visitors.

"With these products we have a greater outreach to a different type of person," he said. "They arouse a greater curiosity than perhaps traditional books do. So first-hand experience will be the next step."

Typically the gallery earns a royalty for each CD-ROM sold and may also collect a fee from the software publisher for the multimedia rights to its artworks.

Landing the Barnes Collection was a particular coup for Corbis. Mr. Gates, who founded the software publisher in 1989, is said to have negotiated personally with the Barnes Foundation for the rights to the collection, one of the largest and most important collections of Impressionist masterpieces. Unseen for 70 years until it began a much-publicized world tour in 1993, the collection was released on CD-ROM in the United States four months ago.

Mark Leicester, a programmer who writes for Electronic Press on the World Wide Web, found the Barnes compact disk "seductive." He pointed to the quality of the color picture and a feature that enables the user to highlight a title in the index while the painting appears automatically in a color box to the side.

Internet address: CyberScape@jilt.lib.demon.co.uk

Masterpieces from around the world are now on CD-ROM.

By Barry James
International Herald Tribune

PARIS — The 41st Paris air show opened to the public Sunday amid virile squabbling between Airbus Industrie of Europe and Boeing Co. of America. But what most people really came to see was the U.S. Air Force's B-2 Stealth Bomber.

Making its first public appearance outside the United States, the sinister black flying wedge made a simulated bombing run over the Netherlands, then touched down at Le Bourget airport near Paris for a one-hour visit. It later returned to the United States with a relief crew.

Officials said the United States was allowing a glimpse of the bomber to showcase its high technology, as American manufacturers sought to grab market share in an economic climate that is at least showing signs of an upturn for civilian jets.

But the outlook for defense manufacturers looked somber. Norman Augustine,

president of Lockheed Martin Corp., told Reuters that because of budget cuts there was room for only two major aerospace defense contractors in the United States rather than the present five.

Meanwhile, Boeing announced 12 orders worth about \$565 million for its narrow-bodied B-737 passenger jet from three European airlines, and Airbus planned to publicize some of its new orders on Monday.

The question remained, however, whether Boeing would announce substantial business for its new 777 twin-engined jumbo jet, a star attraction at the show. The plane competes with the Airbus A330 and A340 family of jets, which the European consortium sees as vital to achieving its aim of winning half the civil airline market by the end of the century.

Boeing, on the other hand, said its aim was to corner two-thirds of the market for aircraft with more than 100 seats. Both Airbus and Boeing are predicting delivery

of about 15,000 commercial aircraft over the next 20 years and combined sales of about \$1 trillion.

McDonnell Douglas Corp., the underdog in the industry, is hoping that its planned MD-95, which as yet has won no orders, will win a substantial proportion of a potentially booming market for 100-seat jets.

Determined to hold onto its lead in the market for 300- to 400-seat planes, Airbus said that it would introduce a longer-range, 8,500-mile version of the A340, complete with beds for passengers, early in 1997, as well as stretched and shrunk versions of the A340 and A330 to meet the needs of specific airlines. Having hardly launched the 777 onto the market, Boeing also announced plans to produce a stretched version toward the end of the century.

Russia also is aggressively seeking orders at the air show, having brought its massive Tupolev TU-160 bomber and a recent Sukhoi 32 fighter to a foreign display for the first time.

Greenspan Sees More Chance of 'Mild Recession'

Compiled by Our Staff From Dispatches

BASEL, Switzerland — The Federal Reserve Board chairman, Alan Greenspan, said Sunday that he saw an increased chance of a "mild recession" in the United States now that inflation had been brought under control.

His comments, which seemed to contradict recent Fed optimism about the economy, came as Leon E. Panetta, the White House chief of staff, urged the Federal Reserve Board to bolster economic growth by cutting interest rates.

The moves have worked, with growth in the output of goods and services slowing from a torrid 5.1 percent yearly growth at rate in the final three months of 1994 to a 2.7 percent pace in the first three months of this year.

(Bloomberg, Knight-Ridder)

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The Incredible Shrinking Agency

Unfilled Vacancies May Reduce SEC to Just 2 Members

By Reed Abelson
New York Times Service

WASHINGTON — For the first time in its 61-year history, the Securities and Exchange Commission, the government agency responsible for safeguarding trillions of dollars of investors' money, may have only two commissioners, both Democrats.

Set up in the aftermath of the 1929 stock market crash to restore faith in U.S. securities markets, the SEC was deliberately established as a bipartisan agency whose five voting members were to be selected by the president and confirmed by the Senate.

These men and women police the securities industry, voting on whether to take enforcement actions against companies believed to have violated federal securities laws. They also determine the rules by which everyone involved in U.S. stock and bond markets must play.

But lately the SEC has been looking neglected, an odd status for one of the few government agencies that make money — \$27.9 million last year, to be exact. No one powerful has it in for the agency, but no one seems to care about it, either.

What is more, the SEC is making little

progress at filling the openings for its \$115,700-a-year commissioner jobs. Some blame the White House, which has its hands full with the crisis in Bosnia and the battle of the budget — and which also has a record of difficulty with high-level appointments.

"It's a deplorable situation," said A.A. Sommer Jr., a former SEC commissioner appointed by President Jimmy Carter.

The failure of the administration to make timely appointments tends to signal the administration doesn't consider the commission important."

"It's become the incredible shrinking agency," said a former commissioner who insisted on anonymity.

Two seats on the commission have been empty since the departures last year of Mary L. Schapiro and J. Carter Beese Jr. This month, Richard Y. Roberts, who was appointed as a Democrat but now considers himself a Republican, is expected to step down.

That would leave only Arthur Levitt Jr., the commission's chairman for the past two years, and Steven M. H. Wallman, a newcomer who is just learning the ropes.

To avert gridlock and "preserve the flexibility" in the event its numbers dwindle

even further, the agency changed its rules in April so that one commissioner, rather than the customary three, could function as a quorum should it become necessary.

But the remaining commissioners are painfully aware that anything they tackle on their own could be challenged in court later.

"I hope that the process will develop to nominate and recommend to the Senate very, very quickly," Mr. Levitt said.

"I need and want commissioners."

Besides ensuring that both major political parties are represented, the point of having a five-member commission, rather than an agency headed by an individual, is the belief that five minds are better than one in making critical decisions. "I was made better by my colleagues," explained Joseph A. Grundfest, a former commissioner.

But what has made the job a little less attractive, according to one securities lawyer, are new conflict-of-interest rules requiring anyone who leaves the job to wait five years before doing business with the agency.

A White House spokeswoman, Ginny Terzano, would not discuss candidates, but said the administration was "in the process of filling the vacancies."

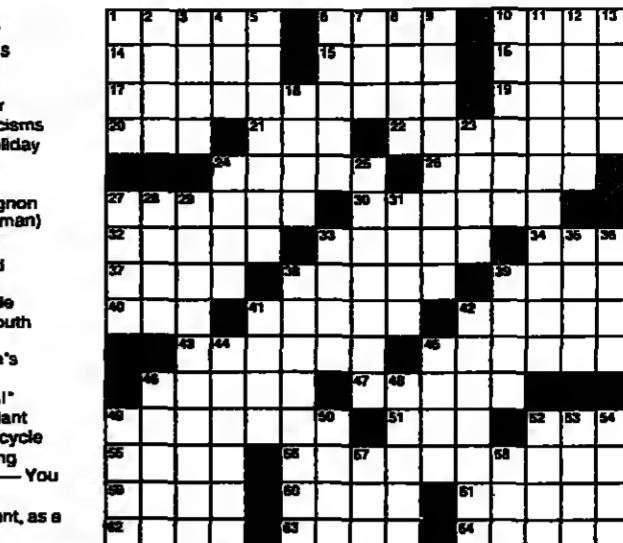
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- 4 Scottish hillsides
- 5 Filmore, politically
- 6 Noted Swiss peak
- 7 1880 Zola novel
- 8 Grp. that dispatches ambulances
- 9 Letter after pi
- 10 Reserved Rows
- 11 After-dinner candies
- 12 Potato order
- 13 Be in session
- 14 Dads, in Ojion
- 15 Stand of trees
- 16 Boring tool
- 17 Pittock man and others
- 18 Make fun of pamphlet
- 19 1880 Zola novel
- 20 Informal words
- 21 Letter after pi
- 22 Baseball's the Man
- 23 Singer Bonnie Israel's Abba
- 24 Be in session
- 25 Dads, in Ojion
- 26 After-dinner candies
- 27 Potato order
- 28 Informal words
- 29 Letter after pi
- 30 Singer Bonnie Israel's Abba
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- 32 Tiny criticisms
- 33 Lamont
- 34 Dates
- 35 Magnon
- 36 Early human
- 37 Damage
- 38 Shunior property
- 39 Sunshade
- 40 Molomouth
- 41 "King Solomon's" —
- 42 "Zounds!"
- 43 Marsh plant
- 44 Wagner cycle
- 45 "More" You Know?
- 46 Prominent, as a feature
- 47 Hit or —
- 48 The "A" in ABM
- 49 Firearm with an unfocused shot
- 50 Tub
- 51 Poet Teasdale
- 52 Own
- 53 Change for a five
- 54 Animal with big ears
- 55 Felt regret

Solution to Puzzle of June 9

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AGREE TOOLS AGREEE
MINO LITEM POW
SAM SPADE GALENA
LENITY DONATOR
OTOOBLE GENT
AGAR MUSTIS GOES
SOME STEPON
SOPRANO RELICIT
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SEATOSHININGSEA
EAGER ENTREATED
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- 1 Rotunda's crown
- 2 Sarong character
- 3 Tiny criticisms
- 4 Hanol holiday
- 5 Lamont
- 6 Dates
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- 8 Shunior property
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NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, June 9.

Stocks	DIV	Yld	100s	High	Low	Close	Chg/
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AAPEX	.10		904	774	74%	74	-1%
AAPEX	.10		201	264	264%	264	-1%
ABR Info			1163	300	277	277	-1%
ABST Bid			4054	178	171	171	-1%
ACC CD	.61		5711	131	131	142	-1%
ACT Mkt			5118	145	145	145	-1%
ACT Netw			4322	225	216	216	-1%
ACTV			2355	104	104	104	-1%
ADESA			294	164	164	164	-1%
ADPNet			727	252	252	252	-1%
ADP Ind			207	227	218	205	-3%
AER En			653	515	515	515	-1%
AER Ind			150	150	150	150	-1%
AES Co			554	174	174	174	-1%
AFC CM			166	261	261	261	-1%
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ASP Ltn			684	75	75	75	-1%
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Atomes			10	10	10	10	-1%
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AtomRt C	.04		100	9	9	9	-1%
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Continued on Page 19

Rockets Snatch A 2-Game Lead

By Richard Justice
Washington Post Service

ORLANDO, Florida — The Houston Rockets have almost come full circle. In six weeks, they've gone from disappointing defending champions to courageous contenders to the threshold of another title.

The Rockets closed in on it as Hakeem Olajuwon scored 34 points and reserve Sam Cassell added 31 in a surprisingly easy 117-106 defeat of the Orlando

NBA PLAYOFFS

Magic Friday night in Game 2 of the National Basketball Association championship series.

In two stunning performances in this best-of-seven series, the Rockets have scored a pair of road victories against the team with the league's best home record entering the finals — 46-4.

"It was a great team effort," Olajuwon said. "We came out so aggressive, especially on defense. We got a lot of turnovers and fast breaks. We realize what we have to do now."

History says the Rockets can order their rings. No team has won a championship after losing the opening two games on its home court. Only the 1969 Lakers and 1977 Trail Blazers have come back to win a championship after losing the first two games.

"I'm stunned," Orlando guard Anfernee Hardaway said. "This is what we fought for all year long and to let a team come in here and win twice is tough to take. We weren't really prepared to play this game."

What was so surprising about this one was that Houston controlled the game almost from the beginning, running up a 22-point halftime lead and staying in charge until the Magic closed to within 9 midway through the fourth quarter. But the Magic didn't get closer.

Olajuwon worked against one-on-one coverage much of the night, and when the Magic did double-team him, Cassell and the others made them pay. From the outside, Houston forward Robert Horry had a final-record seven steals and

Clyde Drexler scored 19 of his 23 points in the second half.

Shaquille O'Neal overcame a slow start to score 33 points for the Magic, while Hardaway kept Orlando in the game with 32 points and eight assists. They didn't have much help. Nick Anderson, who had missed four free throws at the end of the fourth quarter of Game 1, had another bad game, shooting 4 for 13.

"We hurt ourselves at the beginning of the game," said Brian Hill, the Magic's coach. "I don't know if we were tight feeling we had to win the game. We had no fast breaks. We had too many turnovers. Our guys were so competitive that each one tried to bail us out instead of doing what got us to this point."

'Acute Danger Has Passed' For Mantle After Surgery

Compiled by Our Staff From Dispatches

DALLAS — Mickey Mantle, recovering as well as doctors could hope from his emergency liver transplant, has been moved out of an intensive care unit at Baylor University Medical Center.

Describing the Hall of Fame baseball player's condition as "serious but stable," Dr. Goran Klintmalm, medical director of the Baylor Transplant Institute, said Mantle remained exhausted from his Thursday morning operation.

But, Klintmalm added, "The most acute danger seems to have passed."

Klintmalm spoke of the move from intensive care as "the phase where life begins again." Saturday morning, the last drainage tube was removed from Mantle's stomach, and he will soon be moved into a chair.

Walking could be more of a challenge, since Mantle weighs about 225 pounds. "If he begins to fall there are very few nurses strong enough to carry him around," Klintmalm said.

Mantle's next challenge will be handling his body's rejection of the new liver, a 60 percent to 65 percent risk. Mantle has been taking anti-rejection drugs to combat that possibility, but the drugs could allow other infections to take hold.

"You become much more vulnerable to infection, and Mr. Mantle had a very severe liver infection," Klintmalm said.

(NYT, AP)

McGwire Tops Green Monster

The Associated Press

Mark McGwire hit three home runs in consecutive at-bats Sunday and tied the major league record for homers in two straight games, leading the Oakland Athletics over the Boston Red Sox, 8-1.

McGwire, who leads the majors with 17 homers, connected against Zane Smith for solo

twice and drove in four runs leading Detroit past Minnesota.

Todd Steverson and Flaherty hit consecutive home runs in the ninth, and Juan Samuel hit a two-run homer later in the inning off Twins reliever Dave Stevens.

Athletics 8, Red Sox 5: Mark McGwire homered twice in the eighth inning, including a tie-breaking two-run shot in the seventh as Oakland beat the Sox for the first time in five tries this season and only the fourth time in 23 games.

The Yankees 10, Mariners 7: Jim McNamee singled with the bases loaded, highlighting a five-run rally in the eighth inning that led New York past Seattle.

The Yankees won for only the fifth time in 25 games. They beat Seattle for the first time in six games this season, and prevented the Mariners from completing their first-ever three-game sweep at Yankee Stadium.

Angels 5, Orioles 4: Lee Smith set a major league record with saves in 16 straight appearances, pitching a scoreless ninth inning in Baltimore and preserving the Angels' victory.

In Saturday's games:

Mariners 3, Yankees 2: Randy Johnson struck out 12 in seven innings as Seattle won in New York.

But Johnson was gone by the time the Mariners evened it in the eighth and went ahead with two outs in the ninth on pinch-hitter Chad Kreuter's bloop single off John Wetteland.

David Hulse also connected for the first time this season, a

three-run shot in the fourth inning that helped the Brewers cool off the Indians.

Royals 8, Blue Jays 2: Kevin Appier threw a four-hitter in Kansas City, handing Toronto its 15th loss in 22 games.

Manto's solo home run in the first inning off Danny Darwin, who lost his sixth straight.

The former Boston pitcher, who signed a free agent contract in April, gave up 12 hits and five runs.

Tigers 7, Twins 5: Todd Stetson hit his first major league home run and Chris Gomez and Juan Samuel hit two-run shots for Detroit in Minneapolis.

The no-decision left Johnson

Flyers, Tying Series, Do the Bedeviling

By Alex Yannis
New York Times Service

EAST RUTHERFORD, New Jersey — As quick as anyone can say Stanley Cup, the Philadelphia Flyers are riding high again and the New Jersey Devils have a lot of questions to answer, starting with the goaltending of young Martin Brodeur.

It was so ineffective Saturday afternoon in a 4-2 loss to the Flyers that he was pulled for the first time in the playoffs.

In a game that tied the Eastern Conference final, 2-2, Brodeur allowed goals by Shion Podein, Mikael Renberg, Rod Brind'Amour and Eric Desjardins on 17 shots. He was replaced by Chris Terreri, who made two saves, with 7 minutes, 45 seconds left in the game.

Brodeur had been the superior or goalie in the first two games

in the Spectrum, where the teams would meet again Sunday. But on Saturday, as during the Flyers' victory here in Game 3, Ron Hextall played far better than Brodeur, making 32 saves on 34 shots.

The Devils led in shot after the first two periods, 25-12, but

NHL PLAYOFFS

the Flyers scored the only goal in the second period.

Renberg put his team ahead,

2-1, with 2:50 left in that period

when the Devils were caught without the right players on the ice for the Legion of Doom, the line that has Eric Lindros centering for John LeClair and

Brind'Amour's short-handed

run, 4:43 into the third, extended the Flyers' lead to 3-1. It

came after Brind'Amour inter-

cepted a pass from Shawn

Chambers at the Devils' blue

Lindros line was in, but he could not pull it off this time.

Mike Peluso, Bobby Holik

and Randy McKay, who form the Devils' fourth line, were the forwards on the ice when Lindros skated unmetested with the puck into the Devils' zone

and passed it to Renberg skating to his right. Renberg used Scott Stevens, the Devils' captain, as a screen and fired a shot that nipped off Stevens before beating Brodeur over the glove for his fifth goal in the playoffs.

I spent 30 minutes talking

about that play, how to pick up the trailer, and everybody went to the guy with the puck," Le-

maire said.

Brind'Amour's recent performance

was impressive. The coach indicated

Thursday that the forward's work ethic might not have been

up to his standards. Richer is

supposed to be the catalyst for

the Devils, but he has not

scored in the last seven games.

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England Beats Australia On Andrew's Drop Goal

By Ian Thomsen
International Herald Tribune

CAPE TOWN — It wasn't so much a drop kick as it was a rocket, armed in Rob Andrew's steady hands while everyone else watched gasping. He dropped it onto his right foot with a thump you could still hear two hours later, and Michael Lynagh, the Australian captain who had arrived not quite in time, turned to watch it drawing a stuttering line over the horizon of the crossbar almost 40 meters away.

Movies end like that, with the furious, climactic explosion, but who really believes in them. So this was better than anything James Bond did. It was bigger, maybe, than any drop goal in the history of this game, invented in England 172 years ago and ended since to the likes of

All Blacks Flatten Scots

The Associated Press
PRETORIA — New Zealand poured through six tries Sunday to batter Scotland, 48-30, and set up a semifinal match against England.

For the Scots, losing to New Zealand has become a familiar way to end the World Cup. They fell, 30-3, to the All Blacks in the 1987 quarterfinals, then lost by 13-6 in the third-place match in 1991, before falling too far behind to come back Sunday.

Overall, New Zealand has defeated Scotland 16 times, with two matches ending in draws.

But Scotland's captain, Gavin Hastings, finished his tournament as top scorer so far, with 104 points and the all-time World Cup scoring lead with 227.

After the match he confirmed his intention to retire and took a lap of honor among kilted, banner-waving fans.

"I am leaving very proud of the boys and proud of the way they came back towards the end

Australia, which had been the defending Rugby World Cup champion but became, a few ticks from the end Sunday, a quarterfinal victim.

The final score of 25-22 helps describe where Andrew was standing three minutes into injury time, in a second half dominated by the late-peaking Aussies. His fifth penalty — in seven attempts; he also missed a much easier drop goal early on — had drawn England equal in the 76th minute, only to have the hosts could have imagined: this afternoon was dreary and gray, with a damp pitch suited to the English.

At the start the Australians were as jittery as they'd been against South Africa in the crucial opener. That day, May 25, had been more beautiful than the hosts could have imagined: this afternoon was dreary and gray, with a damp pitch suited to the English.

In the 22nd minute, Lynagh fumbled a return pass from Jason Little and the captain lay on his side, knowing there was no support behind, listening to the hurrying cry of the pro-England crowd: From Andrew to Jeremy Guscott to captain Will Carling and all the way down the right wing with Tony Underwood, who ran through Little's shoulder tackle as if it were a slap of congratulations.

The try put England ahead at 13-3, but Australia equalized in the span of one minute interrupted by halftime: Lynagh's penalty first, and thereafter a try by Damian Smith, tumbling over the shoulder of England fullback Mike Catt to catch a Lynagh up-and-under.

To England it felt like stealing. On the hour Australia went up, 19-16, and for the next 20 minutes the score mounted and swayed as Lynagh and Andrew carried on a sort of putting contest to the frustration of the larger 14 clubs in each team's bag.

Hastings said Scotland decided to take the game to the All Blacks rather than kick to touch as some other sides have done. But no team can prepare for the unstoppable Lomu, he said.

"I'm not so sure the New Zealanders would like to tackle him either," Hastings said, laughing.

French Beat Irish by 24

Compiled by Our Staff From Dispatches
DURBAN — Center Thierry Lacroix punished Ireland for frequent transgressions Saturday, kicking eight penalties to lead France to a 36-12 victory and a semifinal berth against South Africa.

The French team continued its mastery over the Irish, winning for the second time this year and keeping alive a 12-year victory streak over Ireland.

Lacroix, putting through eight of nine penalty attempts and one of two conversions, brought his point total for four matches to 83, at the time one shy of the 89 scored by Scottish captain Gavin Hastings.

Lacroix tied the test record for penalties in a match, held by Hastings and two others, and matched Hastings' record for penalties in a World Cup match.

Wings Philippe Saint-Andre and the flashy Emile Ntamack, one of the World Cup's biggest discoveries, scored France's two tries in the final minutes.

Ntamack completed the Irish misery with a try off an interception well into injury time. But those were virtually the only times the two wingers touched the ball in the match, with mistakes and forward play dominating.

France had the advantage in possession and territory for much of the match but its famed backline rarely came alight. For its part, Ireland gave up but, deprived of the ball, found its attacking options limited.

Irish captain Terry Kingston called it "a big day for England" not for English rugby, but for England, "the way the English do. Perhaps the celebration explained why the English find it so hard to live up to their own estimations. A drop goal is never just a drop goal, it's a risk taken for queen and country."

Before the lineout that led to the scrum, the 32-year-old Andrew had discussed with teammate Dean Richards the option of the resounding kick. When it went through to the other side, the English became more than a team that relies too much on him, and he became more than a fine kicker. They started believing they might turn out to be the best in the world again.

Williams known as the "Black Pearl" and the only non-white player on the Springbok squad, sent the Ellis Park crowd of 50,000 into a frenzy of cheering with his first try, in the 16th minute.

His fourth try came with just



Rob Andrew's kicking put England in the semifinals.



Chester Williams made South Africa's task easier.

Williams Scores 4 Tries as Springboks March On

Compiled by Our Staff From Dispatches
JOHANNESBURG — Wing Chester Williams made his debut in the tournament with four tries Saturday as South Africa beat Western Samoa, 42-14, to advance to a semifinal against France on June 17 in Durban.

Williams, the 24-year-old known as the "Black Pearl" and the only non-white player on the Springbok squad, sent the Ellis Park crowd of 50,000 into a frenzy of cheering with his first try, in the 16th minute.

His fourth try came with just

four minutes left in a hard-fought contest that led to angry comments from some players.

"All the tries belong to our eight forwards," said Williams, who was kept out of the pool round by a hamstring injury. "They gave us great ball to play with."

He added: "It means a lot to me, and South Africa, for me to be back in the team again."

Samoan fullback Mike Umaga earned the ire of the Springboks for two late tackles in the first half. One forced full-

back Andre Joubert from the field with a broken bone in his left hand, and another left scrumhalf Joost van der Westhuizen dazed and in pain.

Scottish referee Jim Fleming, who made several contentious decisions, called a penalty on only the second tackle.

"Umaga was lucky to stay on the field," said the Samoan technical director, Bryan Williams. "We certainly don't condone that sort of thing."

Tournament officials said Sunday that Umaga would ap-

Muster Powers His Way To French Open Title

By Christopher Clarey
Special to the Herald Tribune

PARIS — Thomas Muster, the hyperactive child turned hyperactive adult, was finally at rest. He was lying flat on his back on Center Court, the red clay of Roland Garros mingling with the perspiration that had soaked through his shirt.

Chang played remarkable tennis of his own early in the first set, eschewing the high balls that helped him beat Sergi Bruguera in the semifinals. Instead, he took the ball early, went for his forehands and actually overpowered Muster from the baseline. Trailing 4-1, Muster glanced nervously back at Leitgeb. Trailing 4-1, 0-40 on his serve, he glanced back again.

But that would be the end to Muster's vulnerability, as he proceeded to save four break points and then rallied to take control of the match. Chang simply could not sustain the brilliance of his early play, making too many errors and

"Release" Muster said, when asked to describe his feelings after his 7-5, 6-2, 6-4 victory.

Muster, a man who plays each point as if his next meal depended on it, did appear very much at peace as he lay on the clay; alone, ever so briefly, with his thoughts. Long after he rose, shook hands with Chang and vaulted into the stands to embrace his coach, Ronald Leitgeb, the Austrian continued to exude a quiet, profound contentment.

"When you're 17, it's a big effort to handle something like this," said Muster, 27. "Look at Boris Becker when he won Wimbledon the first time. It changes your life from one minute to the next. This is not going to happen to me. When you win at 17, everybody says, 'Wunderkind.' Nobody will say that with me. They will say, 'The wunderkind is old and has no hair.' But I can live with that problem."

Although Muster has reached the quarterfinals on hard courts at the last two U.S. Opens, clay is where his style, natural competitiveness and remarkable endurance make him the most imposing. "Even as a teenager, Thomas was ready to run through walls to win," said Stanley Franken, the former Austrian national coach.

This year, he has bowled over all opposition, winning 35 straight matches on the surface and becoming the first man since Ilie Nastase in 1973 to win the titles at Monte Carlo, Rome and Paris in the same year. In the process, Muster, the first Austrian to win a Grand Slam

event, has risen to No. 3 in the world rankings.

"You have to give him a lot of credit," said Chang, who failed in his attempt to regain the title he won here in 1989. "Thomas played great tennis today, and he's been playing great tennis for the last couple months."

Chang played remarkable tennis of his own early in the first set, eschewing the high balls that helped him beat Sergi Bruguera in the semifinals. Instead, he took the ball early, went for his forehands and actually overpowered Muster from the baseline. Trailing 4-1, Muster glanced nervously back at Leitgeb. Trailing 4-1, 0-40 on his serve, he glanced back again.

"When I was a little kid playing in tournaments, every time I had a match point I would say, 'This is Roland Garros,'" Muster said.

Suddenly, here was the real thing, and Muster nervously sent a forehand into the net. At other times in his tennis career that error might have sent him reeling, but this older, wiser version of Muster is made of sterner stuff.

He controlled the next point from start to finish, and when Chang's backhand sailed wide, Muster was flat on his back, no longer the best claycourt player never to win the French Open.

Graf Wins 16th Title, No. 1 Rank and Hope

Special to the Herald Tribune

PARIS — The tears dripping down Steffi Graf's often impulsive face on the victory stand told the tennis world what the lopsided third set did not.

Graf had not counted on winning her fourth French Open title. More poignantly, she has no idea if her now fragile back will permit her to win again. But when she became a champion again Saturday, beating Arantxa Sanchez Vicario, 7-5, 4-6, 6-0, in the final, it was as if the burden of self-doubt that had been taking on ballast for the last nine months suddenly had been thrown from her slender shoulders.

"I want to thank everybody," she said, gesturing toward her family, friends and her coach, Heinz Günthardt, in the players' box. "Because a couple of weeks ago, I was not sure I would get here."

The victory was Graf's 16th Grand Slam title in singles and, to her tell it, this one had the same emotional resonance as her first, which came on this Center Court in 1987 when she was not quite 18.

"It means just as much," she said.

Only the reasons differ. In 1987, her victory was the realization of a child prodigy's dream. This time, her victory was all about taking adult risks. Graf does not have a back injury. What she has is a chronic back condition: a bone spur on her sacroiliac that pained her throughout her loss to Sanchez Vicario in last year's U.S. Open final.

Graf debated undergoing major surgery, but surgery would have required six to eight months of recovery and there were no guarantees.

"It looked for a while that she maybe would never be able to play again the way she did before," Günthardt said.

Others with millions in the bank and nothing left to prove in

their sport might have accepted that verdict and grudgingly moved on. But Graf is accustomed to defining her own limits. In the late '80s, before the emergence of Monica Seles gave her a worthy rival, the only thing she was chasing was her exacting vision of tennis perfection.

Now, after electing to play with her condition, she is chasing her illustrious past. And on Saturday, she caught up to it in style, reclaiming the No. 1 ranking in a match that featured two rain delays (the second, at 5-0 in the third) and many lengthy rallies.

Graf's performance was far from flawless. She missed too many groundstrokes and short balls for that, but it was full of forehand flashes and first-serve winners. Most surprisingly for a player who had not played a match in the six weeks leading up to this tournament, she pathetically strength as the usually tenacious Sanchez Vicario, slower after a stomach virus, faded.

"I started practicing eight or nine days before the tournament, and so I wasn't really sure that would be enough," said Graf, whose back troubled her again in Houston.

Then she caught the flu early last month, and had more health problems in Paris, catching a cold and straining an upper leg muscle. But after what she has experienced lately, these were merely nagging. Graf is now 25-0 this year. More important are the following numbers: 1987, 1988, 1993 and 1995. Those are the years she has won the French.

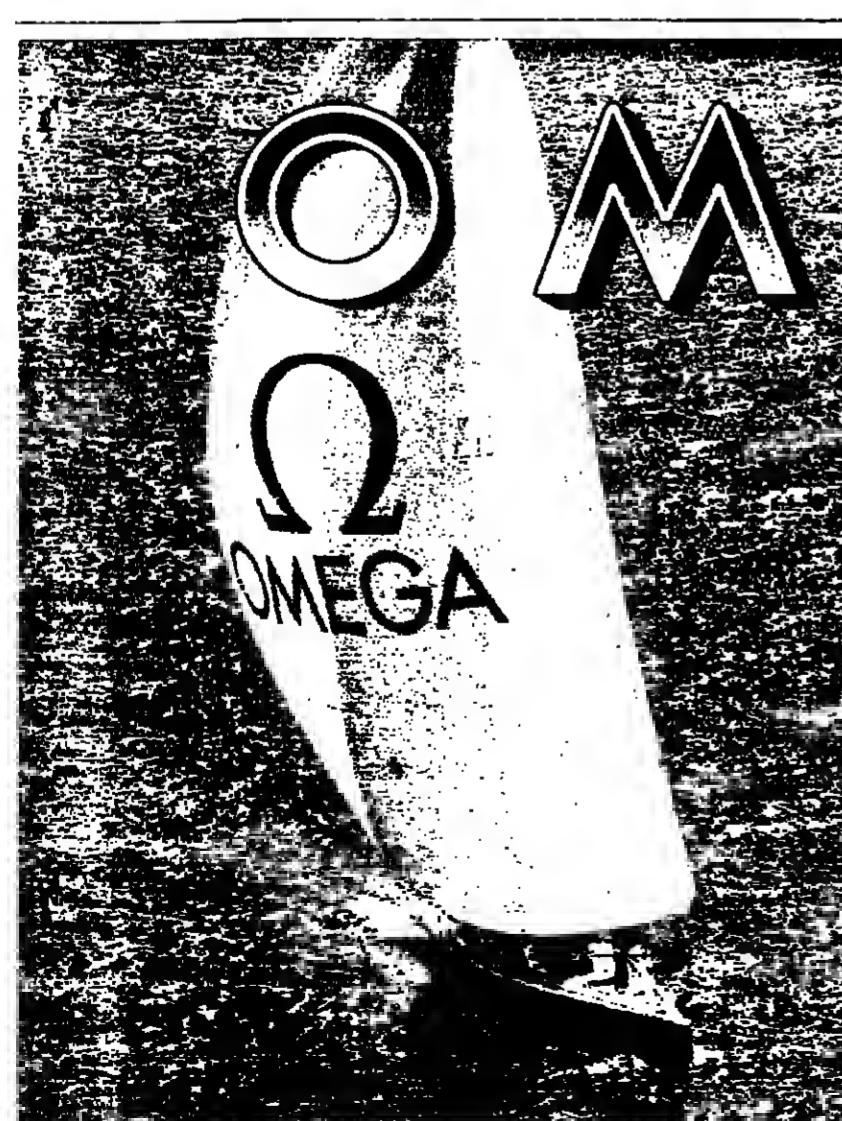
"This one," she said, "was the most unexpected."

—CHRISTOPHER CLAREY

Rugby World Cup in Brussels

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LANGUAGE

I'll Get Back to You - Maybe

By William Safire

WAshington — "To" is from Mars; "with" is from Venus.

"I have noticed a telephone locution lately that is beginning to drive me nuts," interlocutes Philip Gefter, my colleague who works in Business Day. (You don't like *interlocute* as a verb? You've got a better verb for such communication?) "It's 'I'll get back with you.' I've always said, 'I'll get back to you.' Style police — help!"

When prepositions like *with* and *to* are used to shade direction, they are also known as particles, and are as important to the subtle writer as they are to high-energy physicists. For example, *speak to* implies dictation, or at least a one-way direction of words, while *speak with* suggests conversation or communication between at least two speakers. Contrast *compare to* with *compare with* (or, if you're feeling squishy, *compare compare to* with *compare with*).

The most Talmudic usagists say *compare to* seeks to show similarity between unlike things: "Shall I compare thee to a summer's day?" or "Can the human brain be compared to a computer?" *Compare with* examines differences among like things: price tags in discount stores urge customers to "compare with T-shirts selling at \$4."

Most practical usagists, including me (preferable to *myself included*), draw a simpler distinction: *compare to* sharply discerns similarities, while *compare with* somewhat more fuzzily examines both differences and similarities. But my purpose here is to note the way the particles act: *to* seems tough and decisive, *with* soft and rumitative.

Now to getting *back to you* or *back with you*. "Variation in usage of prepositional particles," says William A. Kretschmar Jr., who runs the Linguistic Atlas Project at the University of Georgia, "such as *back to/back with*, arises because speakers are looking for a particular shade of meaning: *back with* might seem more familiar, or conspiratorial, than *back to*."

He's touched the essence of the difference with "conspiratorial": with warmly or sneakily hooks in the other person, while *to* coolly leaves him the recipient with no reply. "I'll get back to you" means "Give me little while and I'll tell you what I've decided"; on the other hand, "I'll get back with you" means "Just ahead is this warmly participative discussion between the two of us."

Fee free to differ: I'll get back to you.

When Brit Hume, the intrepid ABC White House correspondent, tried to pin down the press secretary about his interpretation of the meaning of *recession*, Michael McCurry admitted:

"That's what a rescissions bill is — cutting spending that's already been appropriated by Congress."

The official transcript spelled the word with three s's. Hume then called me to say that a controversy was developing over this: Was it spelled *recession* or *rescission*? Was there not a fine shade of difference in meaning when the three s's were used?

Perceptive question. The extra s's make a difference, as Hume suspected: these are different words with overlapping meanings.

The Oxford English Dictionary argues that *rescission*, with an s before the c, means "a pruning, a cutting back"; that's what *scissors* do, using the Latin root of *rescidere*. The similar Latin word *recidere* has the more severe meaning of "to cut off, annul."

Thus, a *rescision* is a cutting off, while a *recession* is merely a cutting back. Put another way in a different metaphor, a *rescision* is an annulment, a *recession* a divorce.

We are really splitting hairs here: is it worth it?

I turned to Elizabeth S. Girsch, associate editor of the Middle English Dictionary, the language project now going on at the University of Michigan. After giving me a close reading of the incorporation of the two roots into the Middle French and English languages, the MED scholar predicts a merger:

"Because of the long-standing semantic overlap and orthographic similarity between the two words," Girsch observes, "and because languages resist excessive homomony [different words that sound the same], it's hardly surprising that *rescision* and *recession* have been, and are being, confused, conflated, and probably ultimately merged in the lexicons of some speakers of English. Under the circumstances, the simpler form has the edge."

Logic is on her side. But in the meantime, fine-tuning writers will use *recession* to mean "cut-back, sharp reduction," and *rescision* to mean "cancellation, annulment, chopping off without a nickel."

When discussing budget cuts, The New York Times prefers the spelling *recession* though the word is thought to carry the stilted feeling of government jargon and its routine use is frowned upon.

To keep the two spellings straight, the mnemonic is "use scissors to prune the s out of *rescind* when the decision is a cruel, all-out *recession*."

Television reporters, however, are home free: the related words are pronounced the same.

New York Times Service

WEATHER

Europe

Forecast for Tuesday through Thursday, as provided by Accu-Weather.									
		Today		Wednesday		Thursday		Friday	
		High	Low	W.	Wind	High	Low	W.	Wind
CF	CF	CF	CF	CF	CF	CF	CF	CF	CF
Algiers	24/75	14/57	8	26/73	18/54	25/75	18/54	26/73	18/54
Amsterdam	26/75	12/53	8	27/75	13/53	26/75	12/53	27/75	13/53
Athens	21/98	10/50	8	22/71	11/53	21/98	10/50	22/71	11/53
Bangkok	19/98	10/67	c	22/75	17/68	19/98	10/67	20/75	17/68
Berlin	19/95	10/50	8	21/73	11/53	19/95	10/50	20/73	11/53
Brussels	14/67	8/66	8	18/64	10/56	14/67	8/66	15/64	10/56
Copenhagen	18/64	13/59	8	20/71	12/59	18/64	13/59	19/71	12/59
Costa Del Sol	26/79	16/64	c	26/83	21/76	26/79	16/64	26/83	21/76
Dubai	25/79	16/64	c	26/83	21/76	25/79	16/64	26/83	21/76
Ecclesbourne	15/99	8/48	8	16/51	11/52	15/99	8/48	16/51	11/52
Florence	20/68	11/52	8	21/73	12/52	20/68	11/52	21/73	12/52
Frankfurt	20/68	11/52	8	21/73	12/52	20/68	11/52	21/73	12/52
Glasgow	15/59	8/48	8	17/62	14/57	15/59	8/48	16/62	14/57
Helsinki	18/54	14/57	8	21/70	14/57	18/54	14/57	21/70	14/57
London	20/83	19/64	8	20/94	20/68	20/83	19/64	20/94	20/68
Lisbon	20/83	19/64	8	21/73	17/68	20/83	19/64	21/73	17/68
Madrid	16/67	8/46	8	18/64	11/56	16/67	8/46	18/64	11/56
Milan	19/95	13/65	c	22/71	13/65	19/95	13/65	20/71	13/65
Moscow	27/99	16/61	c	29/94	17/62	27/99	16/61	29/94	17/62
Munich	18/54	13/59	8	20/62	14/57	18/54	13/59	20/62	14/57
Naples	20/99	13/53	c	22/70	14/57	20/99	13/53	21/70	14/57
Oslo	18/94	13/53	8	18/68	12/53	18/94	13/53	19/68	12/53
Panama	19/34	8/46	c	22/71	12/53	19/34	8/46	20/71	12/53
Paris	18/51	8/46	c	20/64	14/57	18/51	8/46	20/64	14/57
Rome	18/51	8/46	c	20/64	14/57	18/51	8/46	20/64	14/57
Stockholm	16/51	12/53	8	19/66	13/56	16/51	12/53	19/66	13/56
Tallinn	18/94	13/59	8	20/73	14/57	18/94	13/59	20/73	14/57
Venice	22/71	16/61	8	23/73	16/61	22/71	16/61	23/73	16/61
Vienna	20/83	19/64	8	21/73	17/68	20/83	19/64	21/73	17/68
Wiesbaden	26/79	13/55	c	26/79	14/57	26/79	13/55	26/79	14/57
Zurich	18/61	10/50	c	18/64	8/48	18/61	10/50	18/64	8/48

Oceania

Legend: a-sunny, pc-partly cloudy, c-cloudy, sh-showers, f-funders, sm-snow, h-windy. All maps, forecasts and data provided by Accu-Weather, Inc. © 1995

A Rich Erudition, Wrought in Silver

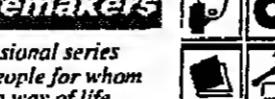
By Suzy Menkes

International Herald Tribune

LONDON — "So let's drink the loving cup!" But if you press your lips to the silver rim and take a deep draft, there is a surprise: a sculpted figure wreathed in vine leaves emerges from the depths.

"Dionysus," says Kevin Coates, pointing to the miniature wine god and explaining the symbolism of the cup he designed for the American collectors

Tastemakers



An occasional series about people for whom style is a way of life

Barbara and Lawrence Fleischman.

The silver bowl is a boat (hence its duller surface below the water line). The legend is from Ovid's "Metamorphoses," so the cup's handles are gilded pirates who turn into dolphins as they leap overboard.

All that mythology, erudition and energetic action in one piece of silverware? You ain't seen nothing yet. For Coates, goldsmith and jeweler extraordinaire, can balance the proverbial angels on the head of a pin — or at least a mosh of Orpheus and a tortoiseshell lyre.

That piece of jewelry expresses another legend and carries the written motto, "In death I sweetly sing," referring to the oceo-mute tortoise and the decapitated Orpheus.

On Wednesday, Coates's one-man show opens at Wartski's jewelers in London, with collectors in line for the new jewels: they are prepared to wait three years for the objects that Coates molds in wax and handcrafts himself. On display will be rings, brooches and necklaces and significant previous commissions, such as the Welsh dragon paperweight created for Prince Charles and a centerpiece of St. George and the dragon from the Prime Minister's Silver Trust Collection. (The dragon is symbolically impaling itself

on the lance, since Coates, a convinced vegetarian, did not want to portray dragon as man's victim.)

Coates, 45, has called the show "Connexions" — and that is the essence of his "ideas-led" work.

Intellectual and visual ideas are worked together like a music score. And music is often the starting point, since it has been the center of Coates's life since he started playing the violin at age 7.

He performs professionally, using early musical instruments with his wife, Nei Romano.

Their day starts, he says, "listening to Mozart."

And here, on a brooch, is a minuscule Mozart, carved in a blue frock coat approaching the Queen of the Night — a development of a previous "Magic Flute" jewel. "Like a bit of postmodern self-reference," he says.

And that sums up Coates's unique imagination. His jewelry, sampling history, art and culture, was postmodern before such a movement existed.

Coates, who graduated from London's Royal College of Art in 1973, calls his 20-year oeuvre "building on a playground of cultural ideas." That might mean a pin representing the head of the nature-god Pan bursting through a strawberry; a plaque containing Towers of Babel in semiprecious stones; or a fish pin set in a geometric pattern.

"Sacred geometry," as found in Gothic art and in the musical instruments that Coates collects, was the subject of a book he published.

However, arcane such references might seem, the erudition is lightly worn — and the prices not too heavy: from £3,500 to £15,000 (\$5,500 to \$24,000) for the one-off jewels that Coates makes entirely himself, like a Renaissance craftsman.

"It is significant and very rare that they are made by hand completely by Kevin," says Geoffrey Munn of Wartski, which specializes in precious metalwork, including Carl Fabergé and late 19th-century arts and crafts jewelry.

Munn says that clients for such "cerebral" work are rarefied.

"People who buy my things tend to understand the cultural references," says Coates. "But there are also the Japanese, and they don't have the cultural framework I